

NAVAL POSTGRADUATE SCHOOL

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THESIS

**RE-ALIGNING GOVERNMENT BUREAUCACY TO FIT THE
DEMOCRATIC ENVIRONMENT OF UKRAINE**

by

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June 1999

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DEMOCRATIC ENVIRONMENT OF UKRAINE.**

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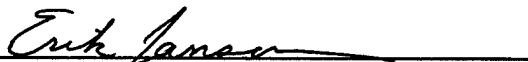
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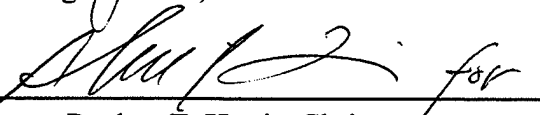
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ABSTRACT

This research demonstrates the need for organizational re-alignment of bureaucratic organizations to effectively function in the new democratic environment of Ukraine. Contingency theory is used to explore how major problems related to organizational efficiency have arisen from a "misfit" between the traditional bureaucratic design and the new environment and tasks faced by the Ministry of Foreign Affairs of Ukraine. The Ministry, which has grown in size from its Soviet predecessor, has maintained Soviet perceptions of managerial style and ways of conducting business. The current Ministry's traditional design has retained Soviet elements that are not congruent with its new more complex and uncertain environment.

TABLE OF CONTENTS

I. INTRODUCTION	1
A. BACKGROUND.....	1
B. PURPOSE.....	2
C. SCOPE AND METHODOLOGY.....	2
D. ORGANIZATION OF STUDY.....	3
II. STRATEGIC ORGANIZATIONAL DIAGNOSIS: THE EXPERT SYSTEM.....	5
A. THE ORGANIZATIONAL DESIGN MODEL.....	5
B. THE BASIC FEATURES	7
1. Situation Fit	7
2. Design Parameter Fit.....	8
3. Contingency Fit.....	8
B. THE KNOWLEDGE BASE.....	9
D. DIAGNOSE THE CURRENT SITUATION.....	10
III. THE TRADITIONAL SOVIET BUREAUCRACY.....	13
A. INTRODUCTION	13
B. CONTINGENCY FACTORS FOR ORGANIZATIONAL STRUCTURE.....	15
1. Environment: Nothing to Worry About	15
2. Technology	19
3. Management Preferences.....	20
4. Strategy.....	22
5. Climate	24
6. Size.....	26
7. Age and Ownership.....	27
C. STRUCTURAL CONFIGURATION AND PROPERTIES.....	28
1. Complexity.....	28
2. Formalization.....	29
3. Centralization	30
D. FITS AND MISFITS	34
E. CONCLUSION AND SUMMARY	37
IV. THE NEW UKRAINIAN BUREAUCRACY.....	39
A. INTRODUCTION	39
B. ORGANIZATIONAL CONTEXT	41
1. Environment: Competitiveness.....	41
2. New Players -- New Demands	46
3. Size.....	48
4. Technology	49
5. Management preferences.....	50
6. Climate	51
7. Configuration.....	53

C.	MAJOR MISFITS.....	54
D.	CHAPTER SUMMARY	59
V.	CONCLUSION AND RECOMMENDATION.....	61
APPENDIX A.	REPORT SUMMARY: SCENARIO 1 (SOVIET UKRAINIAN MINISTRY OF FOREIGN AFFAIRS).....	67
APPENDIX B.	REPORT SUMMARY: SCENARIO 2 (NEW UKRAINIAN MINISTRY OF FOREIGN AFFAIRS).....	81
	LIST OF REFERENCES.....	97
	INITIAL DISTRIBUTION LIST	99

LIST OF FIGURES

Figure 1: Organizational Design Model – Contingency Theory (Burton And Obel, 1998, P.16).....	6
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LIST OF TABLES

Table 1. The Contingency Factors for Organizational Structure.....	31
Table 2. Structural Configuration and Properties.....	33
Table 3. Strengths and Weaknesses of Current Information Channels	50
Table 4. Comparative analysis of two Ministry's organizational designs.	61

I. INTRODUCTION

A. BACKGROUND

The collapse of the Soviet Union and the creation of newly independent states expanded the boundaries of the democratic world. The ex-republics of the Soviet Union, such as Ukraine, declared themselves democracies. Establishing the basic democratic institutions (e.g. election systems, parliaments) successfully completed the first phase of democratization.

The second and more complex phase deals with democratic consolidation. The crucial part of this process is the transformation of the executive branch. The basic foundation of the authoritarian regime was a command-administrative system. The transformation of the Soviet totalitarian machine into more democratically-oriented government organizations not only increases the effectiveness of government's functioning but also destroys the skeleton of the authoritarianism.

For the Ukrainian executive branch, Ukrainian independence and democratization mean a dramatic increase in the importance and complexity of the environment. The banning of the Communist Party and the emergence of new political stakeholders destroyed the simple hierarchical schema of the Soviet environment with the Soviet Union's Communist Party on the top. Government organizations affected by many external players should be more responsive and adaptive in their activities. On the other hand, the state bureaucracy has remained practically unchanged in terms of its organizational design. The new government institutions were established on the

foundation of the traditional Soviet system. Despite that fact that, structurally, Ukrainian government organizations do not differ substantially from Western ones, unchanged perceptions about their environment, slow information exchange, inherited Soviet management preferences, and culture have led to new challenges of efficiency faced by organizations.

While using the Ukrainian Ministry of Foreign Affairs as a case study, the thesis endeavors to reveal these potential flows of the bureaucratic design. The theoretical foundation chosen to analyze the Ministry is contingency theory.

B. PURPOSE

This paper seeks to test the idea that the challenges faced by the Ukrainian Ministry of Foreign Affairs are due to "misfits" between its bureaucratic design and its new environment, tasks, and culture. The methodology of expert systems is used to analyze and argue this assertion.

C. SCOPE AND METHODOLOGY

This thesis: (1) describes and examines the organizational structure of the Soviet style bureaucracy of Ukraine; (2) analyzes changes in organizational context, configuration, and properties of the Ukrainian Ministry of Foreign Affairs; and (3) uses the "expert system" for an organizational diagnosis. The thesis concludes with a recommendation for the organizational re-alignment of the Ministry's bureaucratic design.

The methodology used in this thesis research comprises the following steps.

- Conduct a literature search of books, articles, and other library information and resources on contingency theory and Ukrainian government organizations.
- Apply the "expert systems" method to diagnose the organizational situation. The expert system's method will be discussed in more depth in the next chapter.
- Due to a lack of literature on contemporary developments of Ukrainian bureaucracy, the thesis is primarily based on the author's personal experiences.

D. ORGANIZATION OF STUDY

The thesis is organized into five chapters. The first chapter gives an introduction and the methodology to be used in the thesis. Chapter II presents a review of contingency theory. It formulates the criteria for strategic organizational diagnosis. It also introduces the expert system used, named Organizational Consultant. Chapter III surveys the traditional Soviet bureaucracy. It analyzes the Soviet organizational design in terms of contingency factors, configuration, and properties. Chapter IV presents the current organizational context of the Ministry of Foreign Affairs. It discusses the organizational factors that have been changed after the Ukrainian independence. Chapter V contains conclusions and recommendations.

II. STRATEGIC ORGANIZATIONAL DIAGNOSIS: THE EXPERT SYSTEM

A. THE ORGANIZATIONAL DESIGN MODEL

There are many different ways of thinking about organizations. The theoretical foundation chosen to analyze the governmental organization in Ukraine is contingency theory. Contingency theory argues that the effectiveness, efficiency, and viability of an organizational design is contingent or dependent upon such factors as size, strategy, technology, the environment, and managerial preferences (Baligh, 1996, p.1650). Figure 1 illustrates the contingency theory/organizational design model. The theory views an organization as made up of components or parts that interact with each other. These components exist in states of relative balance, consistency, or "fit" with each other. The different parts of an organization can fit together well and function effectively, or fit poorly and lead to problems, dysfunction, or performance below potential. The purpose of the organizational diagnosis is to analyze how well components of an organization fit together. The effectiveness of the model is based on the quality of these "fits".

The notion of the need for a fit between the environment and the organization as well as the fit among components within the organization lays a foundation for Organizational Consultant, which is the special software designed to assist managers in analyzing their organizations. The program uses a series of "if-then" rules to ensure an appropriate fit between the contingency factors (the "if" part) and the properties and structural configuration of the organization (the "then" part). While applying these "if-then" rules, Organizational Consultant produces recommendations on the design of an

organization. The organization is examined for the situation fit, the design parameter fit, contingency fit, and total design fit.

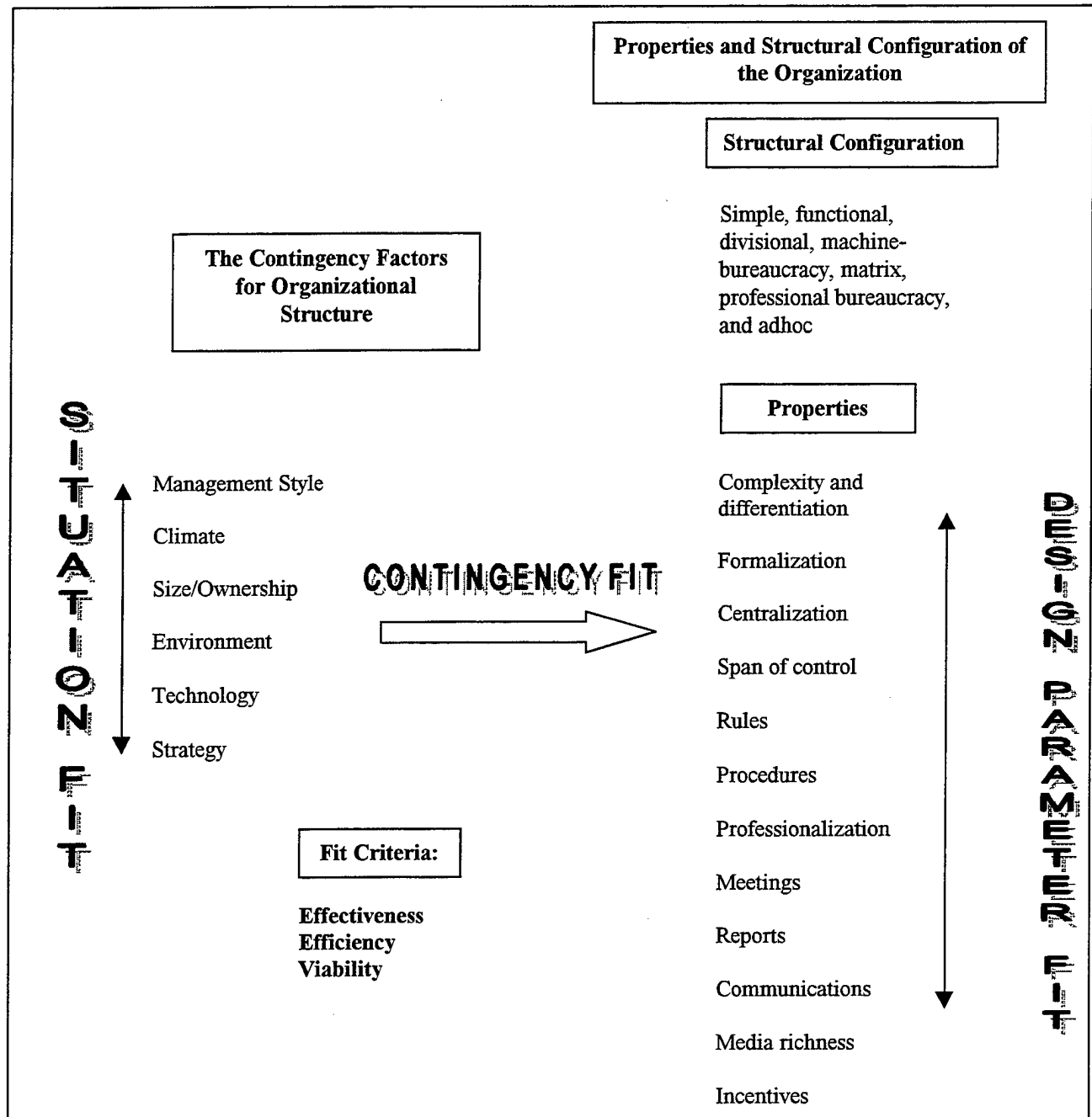


Figure 1: Organizational Design Model - Contingency Theory (Burton and Obel, 1998, p.16)

B. THE BASIC FEATURES

According to the contingency theory, the organizational structure must be suitable for the environment it operates in and the elements of the organization must also function well together as an entity. The term describing these two conditions is called "fit". Thus, an effective organization must achieve a fit with its environment as well as a fit within the organization itself.

Moreover, the most effective and efficient organizational design has a proper fit simultaneously throughout all dimensions of Figure 1. Among them, the contingency factors themselves, namely management style, climate, size, environment, technology, and strategy, have to fit. This is called situational fit. The contingency factors, listed on the left side of Figure 1, have to be congruent with the design parameters on the right side of the figure. This is called the contingency fit. Fit among the design parameters also is required and is called design parameter fit (Baligh, 1996, p.1650). Finally, total design demands that situational fit, contingency fit, and design parameter fit criteria must all be met.

1. Situation Fit

Situation fit requires that the contingency factors, namely management style, climate, size, environment, technology, and strategy, be congruent. For instance, an equivocal environment and a routine technology do not fit. There is no recommended design for that particular situation in the program; because it cannot be met, it is a situational misfit (Burton, 1998, p. 17).

Revealing and eliminating situational misfits (and ensuring that there is a fit with the environment) is key to organizational success. Only those organizations that manage to identify proper misfits and resolve them will be successful (Burton, 1998, p. 17).

2. Design Parameter Fit

A situation fit is a necessary condition for design parameter fit to be present. Each contingency relationship may lead to more than one design recommendation. For each parameter on the right hand side of Figure 1, the set of if-then propositions that lead to a design recommendation must fit and be in balance. For instance, contingency factors might drive a design recommendation for a centralized organization. On the other hand, management style, climate, size, environment, technology, and strategy may strongly suggest decentralization. Here, the design variables must be in proper relative balance to obtain proper design parameter fit. The problem is to indicate which is the more salient recommendation. A certainty factor (cf) assists in this assessment.

3. Contingency Fit

Contingency fit is the essential organizing concept that joins together situation fit and design parameter fit. Contingency fit is illustrated in Figure 1. Basically, contingency fit explains how situation fit and design parameter work together based upon contingency theory.

Each if-then contingency proposition must be consistent with contingency theory. For example, a statement: "If the organization is large, then the structure should be centralized" contradicts with the principles of the theory. Thus, this particular if-then

statement generates a contingency misfit (Burton, 1998, p. 16). Contingency fit criterion can be achieved by adhering to the contingency theory literature and translating this into appropriate if-then statements for the organization (Burton, 1998, p. 17).

B. THE KNOWLEDGE BASE

The foundation of the “if-then” rules mentioned in the previous chapters is called a knowledge base. The Organizational Consultant’s knowledge base is derived from a large body of literature on organizational theory and a body of expertise on organizational design. Contingency theory and the “fit” criteria are the organizing concepts for the creation and development of the knowledge base. Generally, the knowledge base appears as a system of decision rules that apply under specific sets of circumstances. The Organizational Consultant has a knowledge base comprised of more than 450 rules. Here is an example of these rules: “If the environment hostility is extreme, then the centralization should be high (cf 40)” (Burton, 1998, p.260). This means that an extremely hostile environment calls for a unified effort. The *cf* stands for certainty factor and can range from -100 to 100. The certainty factor measures the degree of belief (or disbelief for negative certainty factors) one has in the rule statement. The certainty factors are used to compare each statement. The resulting recommendation states how design parameter fit can be obtained and the strength of the recommendation. “A high certainty factor specifies that design parameter fit has been obtained. A low certainty factor specifies that there may be design parameter misfits” (Burton, 1998, p.27). While

inputting the data, a user of the Organizational Consultant uses certainty factors to assess the importance of the particular input on an organizational design.

Many different variables and combinations, which are possible in organizational design, complicate the diagnosis. For example, an organization can be defined as to whether it is centralized or not, formalized or not, and whether it has a simple, divisional, functional, or ad hoc configuration. In this situation, there are sixteen ($2 \times 2 \times 4$) different possible designs from which to choose. The number of options grows non-linearly as the number of organizational dimensions grows (Burton, 1995, p. 321). Without the help of a specially designed software, it would have taken a lot of time and effort to consider all possible combinations. The Organizational Consultant system enables the user to examine many different variables and possibilities in a short period of time.

D. DIAGNOSE THE CURRENT SITUATION

Organizational Consultant analyzes the current organizational structure using many factors related to the functioning of the organization. The program describes structure in terms of configuration and its properties. Based on the inputs, the system, using the rules of the knowledge base, recommends the configuration and the structural properties that give the best fits for a specific situation. The situation itself is analyzed and possible situational or organizational misfits are given. Finally, Organizational Consultant compares the current and prescribed organizational structures and recommends possible changes. The system allows the user to change input values and rerun the analysis. This is a way to perform sensitivity analysis (Burton, 1998, p. 31).

To achieve viable recommendations, it is important that the user inputs the data that describes the existing situation, not the ideal structure. It assists in making a diagnosis of its current organizational stage as well as in finding possible solutions to existing problems.

It is important to understand that the Organizational Consultant is a decision support system which requires the individual to contribute information to the decision making process. As a result, the individual interprets the facts of the current situation. Some facts are easy to decide as they are based on quantifiable information. Others facts are not so straightforward (for instance, determining environmental complexity). Those judgmental data affect the viability of the diagnosis. Thus, one must interpret the results and recommendations of Organizational Consultant. Recommendations need to be carefully assessed before being implemented.

III. THE TRADITIONAL SOVIET BUREAUCRACY

A. INTRODUCTION

The structure of the Soviet bureaucracy was designed in order to execute the decisions or commands of the leading organ of the Soviet system, the Communist Party. The demand of direct subordination resulted in a strongly centralized, hierarchical system with a direct downward management style. The system did not tolerate any deviations or independent thinking at middle management levels. A successful career within the bureaucracy was contingent on precise execution of commands from above. In many cases, the managers' style was abrasive and imposing. The chiefs of organizational units acted as mini-dictators, who simultaneously were afraid of the more powerful rulers above them in the hierarchical ladder.

Financial rewards were fixed at minimum levels and, therefore, were irrelevant. The position in the hierarchical pyramid determined the other benefits, such as special health care, special service and food systems. To maintain their positions, the bureaucrats developed a highly elaborated informal policy of "tail-covering" with long, knotty, and almost untraceable circles making up the decision-making process. The long-tenured bureaucrats became amazingly proficient at this strategy of survival. To avoid responsibilities, vague and enormously complicated sets of rules and procedures were created. The written descriptions of jobs were almost incomprehensible. Only insiders could understand the mechanics of the organization.

The Ukrainian Ministry of Foreign Affairs in the former Republic of the Soviet Union exactly reflected all of these factors. Moreover, the Ministry was the quintessence of that system. During its existence, the Ministry became a closed elite club. To get in, one had to have very influential patrons inside the Ministry or in the Party's leadership. Access to the privileges of being able to travel or work abroad, to be paid in hard currency, and, in general, to enjoy the goods of the World civilization, which were cut off from the rest of the Soviet population by the "iron curtain", were strongly controlled and limited. The only top-ranking bureaucrats and the members of the top echelon of the Communist Party could influence the selection process.

Officially, the Ukrainian Ministry of Foreign Affairs was the part of the executive branch of the Ukrainian Republic government. However, it was unofficially subordinated to the Ministry of Foreign Affairs of the USSR. Generally, every decision made by the Ukrainian government had to be approved by Moscow. According to Rudnitsky, "...Soviet Ukraine lacks the most essential trait of any self-governing state: the ability to formulate and pursue policies of its own. The power of central government in Moscow is all- pervasive, and it does not leave the organs of the Ukrainian Republic any sphere of independent jurisdiction" (Rudnitsky, 1987, p.465).

In summary, the command-administrative system was a specially designed bureaucratic structure to precisely execute of commands without questioning them. This system "naturally" selected appropriate people and shaped their behaviors. On the other hand, the abrasive style of management, close to a dictatorial style, resulted in a climate of mistrust and scapegoating.

B. CONTINGENCY FACTORS FOR ORGANIZATIONAL STRUCTURE

1. Environment: Nothing to Worry About

The aim in describing the environment is to indicate the effect of the environment on organizational structure and design. The appropriate structure depends partially upon the environmental situation. On the other hand, controversy exists as to the exact nature of environmental influences. This thesis follows Burton and Obel's (1998) model of the environmental impact on an organization according to four measures, namely Complexity, Uncertainty, Equivocality, and Hostility/Competition. These four measures were chosen because they can be related to a vast literature of empirical studies (Burton and Obel, 1998). This chapter describes the Soviet environment in the light of these four dimensions.

Environmental complexity is one of four dimensions used in Burton and Obel's Organizational Consultant program. Complexity refers to the number of external variables or descriptors that can influence the operations and outcomes of the organization. The Soviet environment was characterized by low complexity. There was one dominant external stakeholder that affected the functioning and outcomes of the Ministry of Foreign Affairs. This external player, the Communist Party of the Soviet Union (CPSU), not only influenced but factually ran the organization.

As was the case in every other major area of Soviet life, the CPSU exercised ultimate control over foreign policy. According to Article 6 of the constitution of the Union of Soviet Socialist Republics, adopted on October 7, 1977 (Smith, 1980, p.23):

- The Communist Party of the Soviet Union is the leading and guiding force of the Soviet society, the nucleus of its political system and of state and public organization. The CPSU exists for the people and serves the people.
- Armed with the Marxist-Leninist teaching, the Communist Party determines general prospects for the development of society and the lines of the USSR's domestic and foreign policy, directs the great creative activity of the Soviet people, and gives their struggle for victory of communism a planned, scientifically substantiated nature.

Designated by the Constitution as "the leading core of all organizations of the working people, both public and state," the Central Committee of the CPSU made major policies and decisions regarding all aspects of international affairs. Traditionally, the party apparatus exercised control over not only the decision making process but also the implementation of policies and directives. Essentially, a parallel structure between the party and government provided the main mechanism for this oversight. Furthermore, most administrators in central, republic posts were party members. "Besides hiring and firing state officials, the Communist Party placed leading state personnel in its own policymaking institutions and in turn appointed party officials to state institutions. Thus, all senior state officials held 'dual membership' in party and state bureaucracies" (Huskey, 1992, p.52).

The second environmental dimension is environmental uncertainty. Uncertainty is defined as not knowing the value of an environmental variable or descriptor. The more uncertain the environment, the more difficult it is to predict the future states of the environment. A high uncertainty environment is most difficult to predict. Low uncertainty indicates that the environment is known and predictable (Burton and Obel, 1998).

While describing the Soviet environment in the 1970's, many political scientists use the word "zastoy", which in English translation means "standing still". This precise expression characterizes the very conservative policy of the Communist party. The Party's views on domestic as well as foreign policies had not been changed considerably for years. As a result, the future situation was known and predictable. Even now, some political movements in the former Soviet Union are appealing due to the certainty and predictability of that time. Institutions and organizations in the USSR enjoyed this low uncertainty, while planning their future activities. The Ukrainian Ministry of Foreign Affairs could issue the same political statements again and again, while only slightly changing the words. A deteriorating economic situation and changing international environment were intentionally ignored by the Politburo. The Ministry, an executor of the Party's decisions, was even less concerned about the potential dangers of that ignorance. According to the leadership of the republican ministries, there was nothing to worry about: the Communist party, like a wise father, would take care of everything. Consequently, very conservative policy of the CPSU based upon purposeful ignorance made the Ministry's environment simple and certain.

The third environmental dimension is equivocality. Equivocality means ambiguity which is the existence of multiple and conflicting interpretations of the organizational situation. High equivocality means confusion and lack of understanding. Equivocality means that asking a yes/no question is not feasible. The situation is ill defined to the point where a clear answer will not be forthcoming (Burton and Obel, 1998).

The Ministry was an element in a stable hierarchical structure that had not been changed for many years. There had not been any conflicting interpretations of the organizational situation. The "zastoy" phenomenon also can be applied to the structural organization of the Soviet bureaucracy. No new institutions or governmental organizations dealing with international relations had been established in the 70's. Obviously, there was no need for them. The foreign policy (during the Cold War era) had been inflexible for many years. The existing bureaucratic structure was able to manage the tasks. This structure was based on authoritarian principles that excluded any equivocality.

Hostility/competition is the last of four dimensions. Low competition implies a benign environment. Hostile competition implies that someone or something threatens the existence of the organization. Hostile environments are characterized by precarious settings, intense competition, harsh overwhelming business climates, and the relative lack of exploitable opportunities. Medium and strong competition fall between these two extremes. Medium competition means a regular competitive environment, while strong competition refers to a situation where the organization has to fight hard to keep its market share (Burton and Obel, 1998).

There was neither hostility nor competition in the Soviet bureaucratic system. There was an unquestionable monopoly of the CPSU in the area of foreign policy as well as in the other areas. The Ministry was authorized to be the exclusive executor of Party's directives in the foreign policy matters. The Ukrainian Ministry of Foreign Affairs was the only government organization that represented the Soviet Ukraine by the close supervision of the CPSU. The command-administrative system with its strong subordination and

hierarchy prevented the establishment of any parallel structure in the government. There was no competition since there was no competitors.

In addition, as previously mentioned, the Ministry of Foreign Affairs had an analogy with a closed club. The iron curtain separated not only the Soviet Union from the West but also the diplomats from the Soviet public. Thus, the environmental influence on this government organization was extremely limited.

In summary, the Ministry's environment was simple; the uncertainty of the environment was low, the equivocality of the environment was low, and it was essentially benign.

2. Technology

"Technology is the information, equipment, techniques, and processes required to transform inputs into outputs. Technology is appropriately assessed along the following four dimensions:

- Manufacturing, service, retail and wholesale;
- Unit, mass and process (automation);
- Routine or non-routine; and
- High or low divisibility " (Burton and Obel, 1998).

The Ministry had a specialized customer-oriented service technology with a high degree of routine. According to Burton and Obel, a routine technology is a technology that contains easy-to-analyze problems and few exceptions. The Ministry had a routine

technology due to standard procedures, traditional diplomatic practice, and simple environment.

The divisibility of the technology is important to determine an appropriate structure. Divisibility is the degree to which the tasks can be divided into smaller, relatively independent tasks (Burton and Obel, 1998). The Ministry's technology was almost indivisible.

The other technological dimension is related to the existence of advanced information systems. Advanced information systems speed up the communication between members of the organization. It permits top management to process more information quickly. The Ministry had no advanced information system. "Top managers and diplomats received their education and early work experience before the wide-scale introduction of computer technology. In addition, in the Soviet period computers were mostly prohibited in MFA for security reasons. As a result, top managers often fail to understand technology and lack sufficient grasp of the issues to provide appropriate managerial direction"(Illyashov, 1999, p.5).

3. Management Preferences

In the design phase, management or leadership style is an important contingency for the choice of structure. The question is particularly important for small and medium-size organizations that are owner run; however, it is an important contingency for all organizations (Burton and Obel, 1998).

The level of management's micro-involvement in decision making is a summary measure of management style. Leaders have a low preference for micro-involvement or managers have a high preference for micro-involvement.

The Ministry's level of managers' micro-involvement in decision-making was extremely high. First of all, the command-administrative system exclusively empowered the leaders at the top of the politico-bureaucratic pyramid to make decisions. This top-down pattern of management eradicated any initiatives or independent interpretations of the commands at the level of middle managers. In terms of decision making processes, the functions of the middle managers in the Ministry (chiefs of divisions and departments) were information gathering and providing findings to the upper level. The phase of analysis and conclusion-drawing was the prerogative of the top echelon of the Ministry. The managerial organization of the Ministry was similar to a military chain of command. According to this concept, "soldiers" do not make decisions; they carry out assignments of their commanders.

Secondarily, the ideologists of socialism foresaw the potential inefficiency of a system that lacked financial motivations. The communist principle of equality does not permit considerable financial differentiation. Thus, bureaucrats discouraged by equal distribution might not work hard. This consideration led to a concept of control. If the employees can not be stimulated financially in order to maintain their efficiency, they should be closely supervised.

The third reason, which is related to the concept of control as well as the highly sensitive political nature of diplomatic business, is that any mistakes in the area of

international relations might cost managers their careers, especially the managers at the intermediate level. The arbitrary system of punishments based upon subjective opinions of the Party' leadership contributed to the high level of management's micro-involvement.

In the results of the analysis made by the Organizational Consultant, the management of the Ministry profile has a high preference for micro-involvement. It concluded (See Appendix A):

The management of the Ministry has a preference for making most of the decisions itself. This will lead toward a high preference for micro-involvement. Management has a short-time horizon when making decisions, which characterizes a high preference for micro-involvement. Since the management has a preference for being very involved in gathering and using detailed information when making decisions, a high preference for micro-involvement characterization is appropriate. The management of the Ministry has a preference for wait and see and then act. This will lead toward a high preference for micro-involvement because management has to react to crisis at a very detailed level. Management is risk averse. This is one of the characteristics of a manager with a high preference for micro-involvement. Management has a preference for using control to coordinate activities, which leads toward a high preference for micro-involvement.

4. Strategy

Generally, it is agreed that "structure follows strategy" or at least that strategy helps determine the organization's structure. Strategy is the determination of the basic long-term goals of an organization, the adoption of courses of action and the allocation of resources necessary for carrying out these goals. The organization's strategy is categorized as one of either prospector, analyzer with innovation, analyzer without innovation, defender, or reactor. These categories follow Miles and Snow's typology (Burton and Obel, 1998, p. 113).

The strategy of the Ministry was simple, namely to carry out accurately the directives coming from the CPSU. The "products" of the Ministry, which were political statements, directives for negotiations, and correspondence had a narrow market domain. Due to the traditional nature of diplomatic relations (each kind of documentation has an international standard accepted by many countries and fixed for many years), the technology and methods of operations were conservative as well. A few products and innovations had been introduced since the beginning of international relations. The fixed foreign policy of the CPSU from one side and international standards from another side limited the activities of the Ministry. Consequently, top managers or rather high-ranking diplomats were focused on the quality of their products. On the other hand, the lack of competition and the absence of accountability reduced the demand for quality. As a result the concern for quality was medium.

Based on the inputs, the Organizational Consultant concluded that it is more likely that the Ministry used a defender strategy (see Appendix A). This is a statement of the existed strategy rather than an analysis of what is the best or preferred strategy for the organization:

An organization with a defender strategy is an organization that has a narrow product market domain. Top managers in this type of organization are expert in their organization's limited area of operation but do not tend to search outside their domains for new opportunities. As a result of this narrow focus, these organizations seldom need to make major adjustments in their technology, structure, or methods of operation. Instead, they devote primary attention to improving the efficiency of their existing operations.

The Ministry has few products. It needs to defend these products well in the marketplace. Viability depends on being successful with these limited activities. The Ministry has a routine technology. Consequently, new products for new customers are less likely to be possible. It needs to defend its position for the technology it has or copy well-known products or markets. When the top management of The Ministry has a preference for a high level of micro-involvement, the strategy is likely to be defender.

The alternative is an analyzer without innovation: (cf 79)

An organization with an analyzer without innovation strategy is an organization whose goal is to move into new products or new markets only after their viability has been shown yet maintains an emphasis on its ongoing products. It has limited innovation related to the production process; generally an analyzer without innovation does not have product innovation.

The capital requirement of the Ministry is not high, which is consistent with an analyzer without innovation strategy. With a very routine technology, new products for new customers are not very likely, although the firm can copy a few products. Therefore, strategy is likely to be analyzer without innovation. With top management of The Ministry preferring a high level of micro-involvement, the strategy is likely to be analyzer without innovation.

5. Climate

The organizational climate is a summary measure of people and their behavior.

Whether the organization's climate should affect the organizational structure is controversial. Some experts think that structure is only determined by situational variables and that the organizational climate neither enhances nor limits the recommended structure. Others argue that the organizational climate is very important, as it reflects the type and attitudes of people inside the organization (Burton and Obel, 1998).

In the knowledge base of the Organizational Consultant, a proper fit between the type of people and the organizational structure is considered very important. The organizational climate refers to the beliefs and attitudes held by individuals about their

organization. The climate is a relatively enduring quality of an organization that (1) is experienced by employees, and (2) influences their behavior.

The Burton and Obel's program assessed the Ministry's climate as an internal process climate. An internal process climate is a formalized and structured place to work. Procedures govern what people do. Leaders pride themselves on being good coordinators and organizers. Maintaining a smooth running organization is important. The long-term concerns are stability, predictability, and efficiency. Formal rules and policies hold the organization together (Burton and Obel, 1998).

The nature of diplomatic business is very formal. Internationally accepted rules and standards shape the Ministry's culture. A formal and conservative atmosphere was maintained even in small details such as a very traditional dress code and a required formal appearance. The notion that a diplomat represents the country and, consequently, the world judges the country by its representatives contributed to this.

The other crucial factor that influenced the Ministry's climate was the inequitable reward system. The patron-protégé culture and unquestionable authority of top managers resulted in a low level of trust and morale. Employees with low morale are frequently an element of an internal process climate.

The pattern of career-making can be determined by "elbow" policy and intrigues. Sometimes, personal relations outweighed professional merits. An arbitrary system of punishments derived from an autocratic way of management led to high level of scapegoating that characterizes an internal process climate.

In contrast, employees maintained these rules of the game called "career making", despite their unfairness. The explanation is that every diplomat knew what to do in order to be successful. The second and third generations of professional diplomats were raised in accordance with these unwritten rules. Obviously, it was better to have some bad rules than not to have any. As a result there was high resistance to changes, which would jeopardize predictability and certainty.

Finally, the last factor that negatively affected morale was the difference between the ideological foundation of the Soviet system and the reality. Thanks to their multinational business, diplomats were exposed to the Western world. They were able to see the higher living standards of their foreign colleagues. Alternatively, they were brainwashed that the socialist system was the best in the world. The mental conflict between what they saw and what they were taught affected depressingly their spiritual state.

6. Size

Size influences the choice of organizational structure. The total number of employees moderated by their skill level is an indicator of the organization's size. An organization with highly trained and skilled individuals tends to behave larger than an organization with the same number of unskilled individuals. The Organizational Consultant expert system factors up an employee number to reflect this difference.

The larger the organization, the more formalization is required. Complexity also tends to increase with size, as does the degree of decentralization. Organizational

Consultant uses size as a measure of the organization's information processing capacity. A larger organization requires greater information processing capacity. The education and skill level of the employees is important in this respect.

Congruent with its narrow tasks, the Ministry's staff only consisted of about 70 diplomats. Due to restricted access, the Ministry rarely employed new people. As a positive effect of that, the diplomats had many years of experience. Many of them became experts in particular areas of the foreign policy. On the other hand, the system required them merely to be "smart executors", not the decision-makers.

Organizational Consultant classifies the organization's size as medium. Between 51 and 75 % of the people employed by the Ministry had a high level of education (mostly M.S. degrees). The Ministry is categorized as medium.

7. Age and Ownership

Age influences organizational structure. This is related to the organizational lifecycle. Organizations that change strategy or top-management may become "younger". As examples of the relationship between age and structure the simple structure is more likely to be the recommended structure if the organization is young. Older organizations are more likely to be formalized than younger organizations.

The age or developmental stage of the Ministry is classified as mature. The structuring of the organization was basically finished after World War II, when Ukraine became a member of the United Nations. The history of the Ministry consisted of many years of experience in the international field.

The kind of ownership influences the choice of the organizational structure. For example, public and state owned organizations tend to be more formalized. The Ministry as well as the other government organizations if the Soviet Union was a state owned. Its activities were financed from the state budget.

C. STRUCTURAL CONFIGURATION AND PROPERTIES

1. Complexity

As the degree of complexity of an organization increases so does the difficulty of coordination and the requirements for information processing. Organizational complexity is the degree of horizontal, vertical, and spatial differentiation.

Horizontal differentiation is high when there are a large number of small tasks that are specialized based on experience, education and training. The horizontal differentiation of the Ministry was medium. The Ministry did not represent Ukraine independently but as one republic of the Soviet Union. Its limited area of responsibility and its full subordination to the CPSU resulted in a small number of tasks. These tasks were distributed among different departments, which specialized in certain areas of foreign policy (e.g. international organizations or bilateral relations). Due to the small variety of objectives, the quantity of specialized departments was limited, which defines medium horizontal differentiation.

Vertical differentiation is the number of hierarchical levels between top management and the bottom of the hierarchy. There were three hierarchical levels in the Ministry. The top level comprised the Minister of Foreign Affairs, the first deputy and

deputy ministers. The chiefs of departments constituted the middle level. Finally, the bottom of the pyramid was composed of the chiefs of divisions and their subordinates. The existence of only three levels characterizes low vertical differentiation.

Spatial differentiation is high when there are many locations of facilities and personnel. "Functions" means types of jobs. This can be seen from number of job codes in the personnel administration. The Ministry's spatial differentiation was low as it had only one separate location: the Permanent Mission to the United Nations.

In summary, the Ministry's organizational complexity was medium; the horizontal differentiation was medium; and its vertical differentiation as well as the current spatial differentiation was low.

2. Formalization

Formalization is the degree to which jobs and procedures within the organization are standardized, rule based, and in writing. Formalization is one way to facilitate standardized behavior and is therefore a means to obtain coordination and control in an organization. Formalization represents the rules in an organization and may vary depending on the particular part of the organization, in which they exist (Burton and Obel, 1998).

The Ministry had job descriptions, which were written sets of functions for every diplomatic rank. However, the customer-oriented nature of the service and a limited number of employees interfered with these fixed rules. The diplomatic service demanded a high degree of universality. Despite his or her ranks and related job descriptions, a

diplomat was expected to be able to conduct a wide range of missions, from negotiation process to a routine correspondence. The employees as well as their bosses regarded the job descriptions as a bureaucratic formality that did not have a real meaning. The coordination and control were not exercised by comparing the written set of functions to the actual work. It was impossible to imagine that a diplomat would appeal to a job description of the certain rank in order to justify his or her failure to accomplish a task. Finally, the equitable distribution of rewards overshadowed the importance of the job descriptions in terms of job assessment.

3. Centralization

The Ministry was a reduced print of the politico-bureaucratic structure of the Soviet Union. The theory of strong centralization derived from the early history of the Soviet State, which was created as the first communist state surrounded by capitalist adversaries. To rule the country in this extremely adversarial environment required the establishment of a government that was similar to the military chain of command structure with its highly concentrated power at the top level. World War II strengthened this type of state-building, where the discipline and unquestionable subordination were the key to survival. This military like, highly centralized government, which concentrated all capability of the state to fight an enemy and then to restore the devastated country, became a foundation of the post-war bureaucratic design.

The Tables 1 and 2 below summarizes the answers to the questions about the Ministry and its situation (See Appendix A).

Table 1. The Contingency Factors for Organizational Structure

Factors	The Ministry of Foreign Affairs
Environment	<p>The environment is simple.</p> <p>The uncertainty of environment is low.</p> <p>The equivocality of the organization's environment is low</p> <p>The environment has a low hostility.</p>
Management Style	<p>Top management prefers to make general decisions as well as detailed operating decisions.</p> <p>Top management primarily prefers to make short-time decisions.</p> <p>Top management has a preference for very detailed information when making decisions.</p> <p>Top management has a preference for reactive actions.</p> <p>Top management is risk averse.</p> <p>Top management has a preference for high control.</p>
Strategy	<p>The Ministry operates in an industry with a low capital requirement.</p> <p>The Ministry has a low product innovation.</p> <p>The Ministry has a low process innovation.</p> <p>The Ministry has a medium concern for quality.</p>
Size/Ownership	<p>The Ministry has about 70 employees.</p> <p>The Ministry's age is mature.</p> <p>The Ministry is state-owned.</p>

Climate	<p>The level of trust is low.</p> <p>The level of conflict is medium.</p> <p>The employee morale is low.</p> <p>Rewards are given in an inequitable fashion.</p> <p>The resistance to change is high.</p> <p>The leader credibility is medium.</p> <p>The level of scapegoating is high.</p>
Technology	<p>The Ministry's major activity is categorized as service.</p> <p>The Ministry has a specialized customer-oriented service technology.</p> <p>The Ministry has a routine technology.</p> <p>The Ministry's technology is a little divisible.</p> <p>The Ministry's technology dominance is average.</p> <p>The Ministry has no advanced information system.</p>

Table 2. Structural Configuration and Properties

Factors	The Ministry of Foreign Affairs
Configuration	The Ministry has a functional configuration.
Complexity	<p>The Ministry has a small number of different jobs.</p> <p>Of the employees at the Ministry 51 to 75 % have an advanced degree or many years of special training.</p> <p>The Ministry has 3 to 5 vertical levels separating top management from the bottom level of the organization.</p> <p>The mean number of vertical levels is 3 to 5.</p> <p>The Ministry has 3 to 5 separate geographic locations.</p> <p>The Ministry's average distance of these separate units from the organization's headquarters is more than 3500 miles.</p> <p>Less than 10 % of the Ministry's total workforce is located at these separate units.</p>
Formalization	<p>Job descriptions are available for all employees, excluding senior management.</p> <p>The employees are not allowed to deviate from the standards.</p> <p>61 to 80 % non-managerial employees are given written operating instructions or procedures for their job.</p> <p>The written instructions or procedures given are followed to some extent.</p> <p>Supervisors and middle managers are to no extent free from rules, procedures, and policies when they make decisions.</p> <p>61 to 80 % of all the rules and procedures that exist within the organization are in writing.</p>

Table 2. Structural Configuration and Properties: Continued

Centralization	<p>Top management is not involved in gathering the information they will use in making decisions.</p> <p>Top management participates in the interpretation of more than 80 % of the information input.</p> <p>Top management directly controls 61 to 80 % of the decisions executed.</p> <p>The typical middle manager has no discretion over establishing his or her budget.</p> <p>The typical middle manager has no discretion over how his/her unit will be evaluated.</p> <p>The typical middle manager has little discretion over the hiring and firing of personnel.</p> <p>The typical middle manager has little discretion over personnel rewards - (i.e., salary increases and promotions).</p> <p>The typical middle manager has no discretion over purchasing equipment and supplies.</p> <p>The typical middle manager has no discretion over establishing a new project or program.</p> <p>The typical middle manager has no discretion over how work exceptions are to be handled.</p>
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D. FITS AND MISFITS

Organizational Consultant did not find any situation misfits (see Appendix A). In contrast, the diagnosis revealed some organizational misfits. However, this does not have a considerable effect of efficiency. The program analyses organizational misfits by

comparing the recommended organization with the actual organization. According to the report, actual and prescribed complexities do not match.

The diagnosis indicated that the configuration that best fits the situation is a functional configuration. A functional organization is an organization with unit grouping by functional specialization (production, marketing, etc.). For a medium size organization with only a few products, the functional configuration is recommended (Burton and Obel, 1998). A functional configuration for the Ministry is also appropriate when the equivocality of the environment is not high, environmental complexity is low, and the environment is relatively certain.

The defender strategy as well as an internal process climate supports the functional configuration. According to Burton and Obel, the Ministry should have a structure somewhat similar to a machine-bureaucracy (See. Appendix A).

The contingency misfit identified by the program is related to organizational complexity. The Burton and Obel's program recommended a low degree of organizational complexity due to the fact that the Ministry had a routine technology, which implies low complexity. Another argument in favor of lower organizational complexity is that top management of the Ministry had a preference for a high level of micro-involvement.

The program suggested high formalization between the organizational units but less formalization within the units due to the Ministry's high professionalization. Because the Ministry employed many professionals, the units' formalization should not be high. However, the Ministry's defender strategy requires high formalization. A defender needs cost efficiency, which can be obtained through formalization (Burton and Obel, 1998).

High formalization also is consistent with routine technology with a high level of micro-involvement, and with an internal process climate.

The Ministry had a defender strategy, which is generally characterized by high centralization. High centralization enables coordination in order to achieve cost efficiency. The centralization should be high, when there are only a few factors that affect the organization, these factors are well known, their values are relatively fixed, and top management has the capacity to gather, interpret, process information, and make decisions. High centralization is required if top management has a preference for a high level of micro-involvement. An internal process climate contributes to high level of centralization.

Burton and Obel recommend a wide span of control (See Appendix A). Because the Ministry has a routine technology, it should have a wide span of control. Due to the low equivocality of the environment, low environmental complexity and uncertainty, the Ministry did not need the rich information media.

The program indicated the necessity of direct supervision with some planning. It is appropriate to see that the rules are followed and implemented. Top management made most decisions and oversaw their implementation. Consequently, the high-ranking diplomats required a lot of detailed information, which could be generated by the functional hierarchy.

E. CONCLUSION AND SUMMARY

According to the knowledge base of the Burton and Obel's expert program, the Ukrainian Ministry of Foreign Affairs during the Soviet time-frame was appropriately designed in order to respond to environmental as well as task related demands. Organizational Consultant did not locate any major misfits among different elements of the organizational schema. Despite the low level of the morale and the other negative factors related to the organizational climate, the Ministry was functioning relatively smoothly. The possible inefficiency that could have arisen from some troublesome issues such as inequitable rewards and distrust was offset by high centralization and control. The simple environment with its high certainty and predictability enabled the Ministry to maintain its efficient functioning. The relatively small size of the Ministry as well as its highly professional human resources facilitated the mission of the managers. On the other hand, in case of some organizational problems, it would have been extremely challenging to introduce any changes due to the mature age of the Ministry and its strongly conservative culture, which resisted innovations.

IV. THE NEW UKRAINIAN BUREAUCRACY

A. INTRODUCTION

Since Ukraine became an independent state in 1991, the role of the Ministry of Foreign Affairs has increased dramatically. As a relatively new country, Ukraine has had to find its place in the international system, to build its image as an influential player in that system, and to establish friendly and cooperative relations with its neighbors and other countries. As an example, below is the Ministry's report about the activities in international arena in 1998:

All the activities of the Ukraine's Ministry of Foreign Affairs in 1998 were centered on the major task of its foreign policy -- that of protection and promotion of Ukraine's national interests in the international arena. To achieve maximum results the Ministry has repeatedly taken an active position on the whole range of foreign policy issues. It has also undertaken to make foreign policy of Ukraine balanced, predictable and stable, and to render Ukrainian diplomacy professional and insightful.

During 1998, Ukraine made certain positive advances along the course toward integration into European and Euro-Atlantic structures.

In 1998, Ukraine consistently increased its participation in every field of the OSCE activities.

Among the most salient achievements of 1998 is the enhancement of Ukraine's cooperation with NATO on the basis of the Charter on a Distinctive Partnership and in the framework of the EAPC and Partnership for Peace Program. In this regard, the approval by the President of Ukraine on November 4, 1998 of the State Program on Cooperation between Ukraine and NATO for the period until 2001 was of particular importance.

Ukraine plays an active role in international organizations. Fruitful cooperation with the international structures enhanced Ukraine's possibilities to broaden bilateral relations.

The mushrooming tasks of implementing this multi-vector foreign policy and resulting workload generated demands for restructuring the Ministry. However, due to time and financial constraints, a comprehensive program of reforms has not been developed. The old structure has merely been expanded by establishing new departments (according to new tasks and the need for human resources to accomplish them) and new divisions within the old and new organizational units. The new Ministry has turned into an enlarged version of the old one. The diplomats who worked for the Soviet Ministry became the vanguard of the new diplomatic institution. They were appointed to the top positions in the Ministry. They naturally brought on board the old culture and style of management. The reward system, technology, and work organization were almost unchangeably transferred from the Soviet bureaucratic system. At the beginning, the new job descriptions were merely copied from old ones.

The problem with staffing the Ministry exacerbated the situation. Young university graduates have been discouraged by low salaries and the enormous workload have been reluctant to join the Ministry. A lack of people experienced in foreign relations has contributed to the dilemma of the new challenges and inadequate staff. The Diplomatic academy in Kyiv was established only in 1996 (with the first graduation in 1998).

The new environmental factors and the lack of professionals have resulted in inefficiency and an almost unbearable workload. This unusual combination of the new and the old led to the major misfits, which will be demonstrated in this paper. Unfortunately, there has not been much written about current bureaucratic system of Ukraine due to the

continuous transitional phase of the government. Therefore, the following chapter is mostly based on the personal experiences of the author.

B. ORGANIZATIONAL CONTEXT

1. Environment: Competitiveness

The environmental complexity of the new Ukrainian Ministry of Foreign Affairs has increased dramatically since Ukraine became independent in 1991. New stakeholders emerged from the process of a state-building and democratization. The ban of the Communist Party and establishment of new democratic institutions turned the traditional bureaucratic hierarchical pyramid into a more ambiguous and manifold system, which destroyed the simple schema of the Ministry's subordination. The Ministry's new external strategy can be defined as partners-seeking and collaboration.

The new stakeholders can be categorized into three major groups. The first category represents the higher echelon of the government. The top-level stakeholders of the Ministry are the President, the Ukrainian Parliament or Verkhovna Rada, the Council of National Security and Defense of Ukraine, and the executive structures that are above the ministerial level (e.g. the Prime Minister of Ukraine, the Cabinet of Ministers of Ukraine etc.). The relations of the ministries to these government entities are either subordination or political dependence.

According to the Chapter V of the Constitution of 1996, the President of Ukraine:

Ensures state independence, national security and the legal succession of the state;

Addresses the people with messages and the Verkhovna Rada of Ukraine with annual and special messages on the domestic and foreign situation of Ukraine;

Represents the state in international relations, administers the foreign political activity of the State, conducts negotiations and concludes international treaties of Ukraine;

Adopts decisions on the recognition of foreign states;

Appoints and dismisses heads of diplomatic missions of Ukraine to other states and to international organizations; accepts credentials and letters of recall of diplomatic representatives of foreign states;

Appoints, on the submission of the Prime Minister of Ukraine, members of the Cabinet of Ministers of Ukraine, chief officers of other central bodies of executive power, and also the heads of local state administrations, and terminates their authority in these positions;

Establishes, reorganizes and liquidates, on the submission of the Prime Minister of Ukraine, ministries and other central bodies of executive power, acting within the limits of funding envisaged for the maintenance of bodies of executive power.

These constitutional rights of the President made him the major stakeholder of the Ministry, which implements decisions regarding Ukrainian foreign policy.

Another important political player is the Ukrainian parliament, Verkhovna Rada of Ukraine. According the Chapter IV of the Constitution, the Verkhovna Rada of Ukraine is the sole body of legislative power in Ukraine. While empowered by the Constitution as a sole lawmaker of the state, the Verkhovna Rada has a strong say in matters concerning foreign policy, including ratification of international treaties. The relations between the Ministry and the parliament is not one of subordination but rather of collaboration. These interactions are based of the concept of anticipated reaction. The Ministry is to foresee the possible reaction of the parliament on certain international activity due to its

dependence on parliamentary approval. Analyzing the prevailing attitude of the parliament toward a particular activity has become the key to successful functioning of the Ministry.

The democratic concept of a balance of power, which is more vividly defined as "invitation for struggle", between the legislative and executive branches of the government enormously complicated the new Ministry's environment. In Ukraine, the continuous confrontation between the pro-reform President and the communist majority of the Verkhovna Rada has exacerbated the situation.

The new government entity that has a great impact on the Ministry's activities is the Council of National Security and Defense of Ukraine. This organization, which is subordinated to the President, deals with a wide spectrum of issues concerning the national security of Ukraine. Obviously, foreign policy and its implementation are an indivisible part of national security. The analyses of the Council serve as a foundation for President's decisions, especially in the area of foreign policy. Thus, the Ministry is highly interested in collaboration with this influential political organization.

Finally, the other higher echelon stakeholders are the government organizations situated between the President and the Ministry in the executive chain. The relations among these institutions are very complex due to incredible mix of old bureaucratic structure inherited from the Soviet Union and the new government elements established in response to the new demands of governing the independent state. Currently, some of the organizations are undergoing administrative reforms. These transformations have increased the level of equivocality and uncertainty of the Ministry's environment.

The second category of stakeholders represents organizations at an equal level with the Ministry. These are different ministries and the organizations with ministerial status. The policy of the Ministry toward these organizations can be described as collaboration with some degree of competitiveness. According to the executive regulations, any international activity of other government organizations at the ministerial level has to be agreed and approved by the Ministry of Foreign Affairs. In order to respond to various demands from these organizations, the Ministry has established specialized divisions that work together with certain organizations to facilitate international cooperation in particular areas between domestic institutions and their foreign counterparts. The diplomats that work for these "mirror-divisions" (which reflect the activities of certain organizations) possess not only general knowledge of international relations but also some expertise in the specific areas (e.g. economy or defense). This dual-knowledge enables the diplomats to monitor and ensure that particular activities of a national organization are conducted in accordance with the general direction of Ukrainian foreign policy as well as with internationally accepted norms. However, the fast changing political situation and the transitional processes that have taken place in Ukraine created incentives for some government organizations to seek direct ways for international cooperation. Organizations have established their own units of foreign relations, which are small copies of the Ministry of Foreign Affairs. Undoubtedly, the direct contacts are more effective; hence, the organizations began to compete with the Ministry for the right to conduct their own reduced version of foreign affairs. On the other hand, these autonomous activities of organizations might sometimes contradict with some

international constraints (e.g. the UN economic sanctions) adhered by Ukraine. Consequently, sometimes, the Ministry of Foreign Affairs, as the official representative of the state, has to deal with some unpleasant issues related to inappropriate international activities of domestic organizations. These factors have contributed to some degree of hostility in the Ministry's environment. The Ministry continues to work closely with its stakeholders in order to establish an unequivocal legal basis that regulates the international cooperation.

The process of shaping the new politico-bureaucratic structure of Ukraine has not been finished. Although the political situation and the functions of the Ministry will not be changed considerably, the undergoing administrative reforms might have some impact on its environment.

Finally, the third category of the Ministry's stakeholders comprises the Ukrainian people. The Ministry provides public goods. Thus, the activities of the Ministry are a subject of the public interest, which derive from public involvement in political issues in a democratic society. The Ukrainian mass-media has begun to pay a close attention to foreign policy and the associated activities of the Ministry. In this context, policies aimed at gaining public support have led to the development of the ministerial units dealing with public relations such as the Department of Information and the Press Center. Providing information about the international activities of Ukraine has grown into one of the major activities of the Ministry. Another Ministry objective that has gained considerable importance is protecting the interests of Ukrainian citizens and organizations abroad. As

Ukraine moves along the process of democratization, the third category of stakeholders becomes more and more influential.

In conclusion, the independence and sovereignty of Ukraine as well as its democratization have changed radically the Ministry's environment. Environmental complexity, uncertainty, and equivocality have increased. However, the degree of competition and hostility are not comparable to those of private business acting within the market. The bureaucratic system is protected against aggressive market competition by government regulations and executive rules.

2. New Players -- New Demands

Ukrainian foreign policy did not start from zero in 1991. The new Ministry of Foreign Affairs of Ukraine was set up on the foundation of the Soviet republican Ministry. However, the Ministry of Foreign Affairs of the independent Ukraine has a considerably different set of tasks, which are described by Illyashov:

In order to carry out Ukraine foreign policy at home and abroad, the MFA:

- Exercises policy leadership, broad interagency coordination, and management of resource allocation for the conduct of foreign relations;
- Leads representation of the Ukraine around the world and advocates national policies to foreign governments and international organizations;
- Coordinates, and provides support for, the international activities of Ukrainian agencies, official visits, and other diplomatic missions;
- Conducts negotiations, concludes agreements, and supports participation in international negotiations of all types;
- Coordinates and manages the Ukrainian Government response to international crises of all types;

- Carries out public affairs and public diplomacy;
- Reports on and analyzes international issues of importance to the Ukrainian Government;
- Assists Ukrainian business;
- Protects and assists Ukrainian citizens living or traveling abroad;
- Adjudicates immigrant and nonimmigrant visas to enhance Ukraine border security;
- Manages those international affairs programs and operations for which State has statutory responsibility, and;
- Guarantees the Diplomatic Readiness of the Ukrainian Government. (Illyashov, 1999, p.12)

The Soviet Ministry had been only an executor, not a policy-maker. Due to this Soviet legacy of being fully dependent on Moscow's decisions, it was a challenge for the Ministry as well as for Ukraine generally to become an independent actor in the international system. As Kusio pointed out, "In contrast to Ukraine, Russia inherited the diplomatic, journalistic, and specialist staff of the former USSR with their acute, professional knowledge of foreign affairs and the working of international relations. Hence, it was far easier for Russia to reformulate its national interests, role, and place in international relations vis-à-vis the former USSR" (Kusio, 1995, p.54). The Ministry of Foreign Affairs of Ukraine has played an important role in the process of shaping and defending the national interests and image of Ukraine in world arena. "Ukraine diplomacy is an instrument of power, essential for maintaining effective international relationships, and a principal means through which Ukraine defends its interests, responds to crisis, and

achieves its international goals. The quality of this job has great impact on the country's development in many areas: security, economy, science etc." (Illyashov, p.10)

3. Size

The Ministry size has increased almost seventeen-fold from about 70 employees to 1100. This has resulted from the new role of the Ministry in implementing a multi-dimensional foreign policy. In the new political arena, the Ministry deals with a wide variety of functions, from political analyses to day-to-day correspondence. This has required an adequate and bigger staff. As Kusio pointed out, "...for a country of Ukraine's size, the staff was small and inadequate" (Kusio, 1995, p.54). The mushrooming Ukrainian embassies, permanent missions, and consulates also have contributed to the growth of Ministry's staff.

However, the staffing has become a problem due to the lack of Ukrainian professionals in the area of foreign relations. During the Soviet period, Moscow, a sole center of political life, attracted talented and ambitious people who wanted to implement their abilities in the political and international sphere. Many Ukrainian experts left for Moscow. The aftermath of this brain-drain hurt the Ukraine after gaining its independence. Ukraine had to start raising its own political elite. Financial problems have further slowed this process. The Ukrainian diplomatic academy was opened only in 1996.

As a result, the Ministry has been staffed with representatives of other professions (e.g. lawyers, linguists, scientists, etc.). This increased number of employees, the high

percentage of which do not have appropriate qualifications and experiences, has generated a need for effective control and coordination.

4. Technology

There have not been changes in terms of the Ministry's technology. The Ministry still has a specialized customer-oriented service technology. Problems have arisen from an absence of advanced information system. According to Illyashov, "Flat and declining budgets for MFA resulted in overall erosion of the Ministry's infrastructure, creating critical staffing and training gaps and unmet information technology needs. At the same time, the demand for new information technology and skills are growing exponentially. Therefore, it was impossible to make the investment needed to adequately equip and staff the Computer Center and embassies worldwide with modern information technology" (Illyashov, 1999, p.10). The multi-polar international environment, the increased number of stakeholders, and the intensified functions of the Ministry demand a faster information flow.

According to Illyashov, the information flows between the Central Office and the Embassies uses these channels (Illyashov, 1999, p.10):

- Phone;
- Fax;
- Private WAN e-mail (using direct phone call);
- Internet (E-mail);
- Diplomatic mail;
- Postal Service mail.

Each of these methods has pro and cons, as shown in Table 3.

Table 3. Strengths and Weaknesses of Current Information Channels

(Illyashov, 1999, p. 11)

	Channel name	Security level	Cost	Speed	Availability	Type of information
1.	Phone	Low	High	Fast	High	voice
2.	Fax	Low	High	Fast	High	images
3.	Private WAN (e-mail)	Medium	High	Fast	Low	Computer files
4.	Internet (e-mail)	Low	Low	Fast	Medium	Computer files
5.	Diplomatic mail	High	Very high	Very slow	Low	Paper Documents
6.	Postal Service mail	Low	Low	Slow	High	Paper Documents

The most frequently used pattern of information flow, due to reasons of security, is the diplomatic mail. This preference for using the slowest but most secure means of information exchange interferes with the new responsive strategy of the Ministry. Moreover, maintaining a high degree of micro-involvement and control by the top managers has become a problem in establishing remote ministerial units (embassies, consulates etc.). One solution is the introduction of an advanced information system with fast and secure information exchange.

5. Management preferences

As previously mentioned, the new Ministry of Foreign Affairs was a successor of the Soviet organization. The managerial culture, with its high micro-involvement and command style of top managers, was a legacy of the old bureaucracy. The professional diplomats, who were raised in the Soviet authoritarian system, became the top managers

of the new Ministry. Newcomers are pressured to accept the cultural norms imposed by top management. However, the enormous workload resulting from new tasks is a challenge to managerial micro-involvement and close supervision. The Ministry has responded to these problems by introducing additional positions in its leadership hierarchy. Nevertheless, micro-involvement, even in minor activities, affects the length and efficiency of decision-making process.

6. Climate

The Organizational Consultant expert system categorized organizational climate as a rational goal climate (See Appendix B):

The rational goal is characterized as a results-oriented organization. The leaders are hard drivers, producers, and competitors. They are tough and demanding. The glue that holds the organization together is the emphasis on winning. The long-term concern is on competitive actions and achievement of measurable goals and targets. Success is defined in terms of market share and penetration. Competitive pricing and market leadership are important. The organizational style is hard-driving competitiveness.

Employees with a low morale are frequently one element of a rational goal climate. Inequitable rewards in the organization drive the climate towards a rational goal climate. An organization with a high level of scapegoating may have a rational goal climate. When the organization has a low level of trust, it is likely that the organization has a rational goal climate. Medium to low resistance to change is normally present in a rational goal.

The competitiveness between legislative and executive branches in foreign policy making as well as increased public interest has shaped a new organizational climate. The Ministry has turned into a result-oriented organization. Ukrainian society judges the effectiveness of the Ministry by following the successes and failures of Ukraine on the

world's arena. Results, not the Ministry's internal procedures, are the indicators of the Ministry situation. These new perceptions of society have influenced the Ministry's climate. The Ministry's managers have become tougher and more demanding in terms of results, and, therefore, the levels of stress and scapegoating have grown. The rapid organizational growth and resulting inflow of inexperienced human resources have exacerbated the situation. The high demand for positive results and the necessity of a period for adaptation of the newcomers has created a dilemma.

A low level of morale also has resulted from a vague and, to a certain degree, arbitrary reward system. Although the middle managers were given some responsibilities over the evaluation process, the reward system has lacked the objective criteria for employees' assessment. The subjective decisions of top and middle managers, which are based on personal preferences, determine the career pattern of a diplomat. This lack of transparency and knotty administrative regulations have reduced employee trust in the fairness of decisions concerning promotions and other rewards.

There are also some external factors that negatively affect the morale of the Ministry's employees. The deteriorating economic situation and the resulting budgetary crises led to a drastic decline in living standards. The salaries of diplomats can hardly cover basic needs. These concerns about how to provide for their families interfere with the day-to-day business of being a diplomat. Moreover, government regulations prohibit other business activities. Thus, diplomats have to rely on their salaries only. On the other hand, the skills and qualifications of Ministry's employees are highly demanded in the private sector with very attractive financial incentives.

Consequently, the stressful atmosphere that comes from the uncertain social position has become an unbearable burden for some employees as well as a discouraging factor preventing some qualified outsiders from joining the Ministry.

7. Configuration

As stated in the previous chapter, organizational complexity is the degree of vertical, horizontal, and spatial differentiation.

Vertical differentiation has not been changed. The Ministry continues to have three levels in its bureaucratic hierarchy. Although not becoming taller, the organizational pyramid became considerably wider, which characterizes horizontal differentiation. The dramatic increase of the stakeholders and the tasks led to establishing of new organizational units and specialties.

The fast changing and complex international environment demands new elements in the Ministry's structure in order to deal with emerging international events. Consequently, one or more departments and divisions have appeared on the organizational map every year. Although this tendency will slow down eventually, horizontal differentiation is likely to remain high.

The level of spatial differentiation has also increased since Ukrainian independence. About seventy diplomatic institutions, such as embassies, consulates, and permanent missions, have been opened all around the world. This process has not been completed. The locations of these separate units are remote from the ministerial core. These Ukrainian diplomatic entities employ almost half of the Ministry's personnel. The distant

physical settings create a problem of coordination and control, which are a challenge in a connection with the specific status of an ambassador. Ambassadors are political appointees. Thus, some of them came to their positions from outside the Ministry's structure. As a result, they bring on board their managerial styles and expectations, which might be different from the Ministry's culture and norms. Many ambassadors would like to have more autonomy in terms of budgeting and day-to-day business. However, this contradicts the high level of centralization imposed by headquarters. The high degree of centralization is still maintained in the Ministry. This can be justified by the very sensitive and official nature of the diplomatic business, which do not admit any interpretations and activities unauthorized by the Ukrainian government.

The rapid growth of the Ministry lowered the level of organizational formalization, which is the degree standardization of jobs and procedures. Some of the basic job descriptions were reworked from the Soviet ones. However, the Soviet standards limit the scope of the Ministry's mission. The new fields of functions are to be analyzed and put in written rules of the organization. This unfinished process became an obstacle to the improving of coordination and control.

C. MAJOR MISFITS

The most dramatic changes of the organizational context have occurred in terms of the Ministry's environment. According to contingency theory, the change of environmental factor demands readjustment of other elements of organizational design. In case of the Ministry, the major misfits have arisen between the new, complex, uncertain,

and equivocal environment and the unchanged contingency factors, such as strategy, management preferences, climate, and technology, which were designed in response to more simple, certain type of the environment. Having analyzed the new and inherited contingency factors, the Organizational Consultant determined the following misfits (See Appendix B).

Firstly, there is a misfit between the new environment and the strategy with low level of innovation. The uncertain environment demands an increase in the degree of product innovation in the Ministry. "This situation calls for a review and suggests that the organization consider greater product innovation. With increasing uncertainty in customer demand, new competitor strategies, possible governmental actions, shifting customer tastes, etc., current products are likely to be mismatched with this changed environment. New products and innovation will likely be required to adapt and meet the emerging needs and opportunities of the new environment" (See Appendix B). Despite that fact that diplomatic business has a very conservative nurture, there is a space for new products and innovations. The potential targets for improvements and novelty are public relations, nontraditional approaches to negotiation process, cooperation, etc. If the Ministry continues to pursue an analyzer strategy, it should broaden its scope of new opportunities. "Generally, more products are required for an analyzer. A few products may be reasonable in the short run, but an analyzer should be in constant consideration of new possibilities" (Burton and Obel). Otherwise, the other government competitors might drive the Ministry from the "market" of foreign relations.

Secondly, there is a misfit between the environment and Ministry's current strategy. The highly equivocal and uncertain environment demands some changes in the Ministry's strategy. "A high equivocality in the environment calls for a capability to vary products and services as the environment becomes clear. Without an innovative capability, it may be very difficult to adjust. Copying what others have done maybe possible, but it is not likely to be viable for the long run." (Burton and Obel). An uncertain environment calls for adaptability and change. The Ministry needs to develop some innovative capabilities to adjust and adapt to the uncertainties in the environment.

Thirdly, there is a misfit between uncertain, rapidly changing environment and short-term, ad hoc responsive management practice. The enormous workload and the lack of experience of managers prevent them from analyzing patterns of events; consequently, they merely respond to emerging events. Management should develop a longer-term outlook for the organization. "The Ministry has both an analyzer strategy and a management with a short time horizon. Conflict and confusion are likely results. An analyzer is searching for opportunities, which may not be within the current activities of the organization. Frequently, investment and startup costs will be incurred which will decrease short-term returns" (Burton and Obel).

Fourthly, there is also potential misfit between the factor that the Ministry is a large organization with a complex and dynamic environment and the management's preference for a high level of micro-involvement. According to Burton and Obel (See Appendix B):

With a complex and dynamic environment, there is a very large number of changing situations to which to adjust. Management cannot access all the situations, analyze what needs to be done and oversee the implementation. There is simply too much to do; there is too much information to deal with. A high level of micro-involvement will usually lead to an information overload at the top and a delay in action when it is most needed. Despite a tendency for management to become even more involved in details, the situation requires less micro-involvement and alternative approaches, such as more decentralization.

The high degree of management micro-involvement is the most negative legacy of the Soviet system. While lacking other motivational tools, the Soviet managers had to exercise control of their employees. This concept is vividly formulated in the sarcastic Russian proverb "Trust, but control!" which actually means that there was no trust, and an employee could get a job done only by close supervision of a manager. This perception resulted in an excessive involvement of top-managers even in routine assignments of their employees. The relatively small Ukrainian Foreign Ministry in a simple Soviet environment could afford this luxury of inefficient managers' micro-involvement. In contrast, it has become an obstacle in the new Ministry of Foreign Affairs.

Fifthly, there is an environment-technology misfit. More specifically, there is one aspects of technology that generates a potential problem, namely the absence of advanced information systems. In order to be able to respond to a fast changing and complex environmental situation, the Ministry ought to increase the speed and quality of its information exchange. In analogy, the Ministry should constantly keep its finger on the environment's pulse. The advanced information systems would serve this purpose. Moreover, if the Ministry maintains the management' micro-involvement for some time in

the future, the information system will facilitate the supervision function of the top managers.

Finally, the rational goal climate of the Ministry might not fit an environment that is highly equivocal. According to Burton and Obel (See Appendix B):

A rational goal climate focuses on control and has an external orientation. Low trust, high conflict, medium to low morale and low leader credibility will likely make it difficult to adapt and adjust to an equivocal environment where many important variables are not understood. A rational goal climate is better suited to a less equivocal environment where there may be some complexity and uncertainty as well. A highly equivocal environment requires more flexibility.

In a highly equivocal and uncertain environment with its, sometimes, conflicting interests of Ministry's stakeholders, the Ministry is not able to set the clearly-defined goals. The external demands frequently change, so do the Ministry's objectives. Thus, it is hard to maintain the rational goal climate that is based on results. The concept of vision with its more general objectives might be introduced in order to provide more flexibility in the process of direction setting. The other negative characteristics of the Ministry's climate are low morale and trust. As previously mentioned, low trust was inherited from the Soviet bureaucracy. However, the problem with staffing, when the rapidly growing Ministry had to employ unqualified and inexperienced human resources, has contributed to the distrust and control from the top managers. A low level of morale has resulted from inherited inequitable and subjective reward system.

D. CHAPTER SUMMARY

The organizational diagnosis based on contingency theory determined that the challenges faced by the Ministry of Foreign Affairs in terms of efficiency are related to interactions between the Ministry and its environment as well as to the rapid growth of the Ministry. The Ministry, which has only quantitatively grown from its Soviet predecessor, has maintained Soviet perceptions of managerial style and ways of conducting business. However, the Soviet managerial culture was shaped to function in a radically different environment. The current Ministry's organizational design with its remained traditional Soviet elements has lost congruency with its new more complex and uncertain environmental factor. Consequently, the following misfits have emerged:

- Environment – strategy misfit;
- Environment – management preferences misfit;
- Environment – technology misfit;
- Environment – climate misfit.

According to contingency theory, in order to increase the efficiency, these misfits ought to be eliminated or, at least, alleviated. Thus, there is a need for organizational re-alignment.

V. CONCLUSION AND RECOMMENDATION

This chapter summarizes the findings of Chapters III and IV. A comparative analysis of two of the Ministry's organizational designs is shown in Table 4. It summarizes the emergence of misfits during the Ministry of Foreign Affairs transition from the Soviet time frame to its current situation. These were discussed in detail in previous chapters. The Table also reveals possible areas for organizational re-alignment.

Table 4. Comparative analysis of two Ministry's organizational designs.

Fit Criteria	Soviet Ministry of Foreign Affairs	New Ukrainian Ministry of Foreign Affairs	Targets for Change
Situation Misfit	<p>No</p> <p>However, the Ministry's climate had a high degree of distrust and low morale; it placed great emphasis on the managers' control. To maintain close supervision, top managers invested a great deal of their time and effort. This created an excessive workload and negatively affected their efficiency.</p>	<p>Yes</p> <p>Environment – Strategy Environment – Management preferences Environment – Technology (information systems) Environment - Climate</p>	<p>Strategy</p> <p>Management Preferences</p> <p>Human Resource Management</p>
Contingency Misfit	<p>No</p>	<p>Yes</p> <p>Environment– Centralization Environment – Professionalization Environment – Media richness Environment, Climate – Incentives</p>	<p>Information Technology</p> <p>Formalization</p> <p>Decentrali-zation</p>

Table 4. Comparative analysis of two Ministry's organizational designs. Continued

Contingency Misfit		Size – Professionalization Management preferences – Differentiation Technology – Communication Technology – Differentiation	
Design Parameter Misfit	No	Yes Centralization – Communication Centralization – Formalization Formalization – Incentives Formalization – Rules, Procedures	

The target areas for organizational re-alignment are **Strategy, Human Resource Management, Information Technology, Management Preferences, Formalization, and Decentralization of non-core functions**. Below are some recommended key changes to decrease current misfits and improve fits.

1. Strategy

The ministry should increase its degree of innovativeness. This strategy would broaden its scope of new opportunities. The new strategic directions would explore new areas of foreign policy and politics, which did not exist in the Soviet period. One of the feasible new objectives is to promote and protect Ukrainian business abroad. The growing but relatively weak Ukrainian private sector needs some government assistance to operate

on the international market. The Ministry shall respond to this new demand of its stakeholder.

2. Human Resource Management

A large number of ministry's misfits are related to paying insufficient attention to its Human Resource Management. The core elements that will considerably improve the Ministry's functioning are:

- Selection;
- Performance appraisal, feedback and reward systems;
- Training.

a. Selection.

The ministry should increase its selection ratio by developing a more aggressive self-advertising campaign to attract the attention of potential candidates. Having lacked sufficient financial incentives, the Ministry should find other inducements for its advertising campaign; for example, patriotism and the honor of representing Ukraine etc. While expanding its selection base, the ministry should introduce a new selection system based upon professional qualification.

b. Performance appraisal, feedback and reward systems.

Objective and transparent performance appraisal and reward systems should be introduced. An example of a performance appraisal system is Behaviorally Anchored Rating Scales. According to Muchinsky, "Behaviorally anchored rating scales (BARS) are a combination of the behavioral-incident and rating-scale methods.

Performance is rated on a scale, but the scale points are anchored with behavioral incidents" (Muchinsky, 1997, p.229). The feedback method might be 360-Degree Feedback (Muchinsky, 1997, p.198)

c. Training

The Ministry should develop specially designed training programs. Their purpose is to improve the professional skills of employees and to introduce Western managerial knowledge and experience. To accomplish this mission, special training units should be created within the Ministry's structure.

3. Information Technology

An advanced information system should be introduced. According to Illyashov (1999):

[T]he Information Infrastructure can be based on intranet architecture within MFA offices and Virtual Private Network over Internet for providing secure connectivity between them. In addition to this, some form of "object security" must to be implemented, where the object of interest to the end user is protected, independent of transport mechanism, intermediate storage, etc. Together, these elements can form MFA's end-to-end and user-to-user capability for information distribution, processing, storage, and display. Wherever feasible and possible, the VPN and intranet should be looked to as main communication path for communicating within the organizational perimeter in order to take full advantage of IT. Consequently, it will improve the efficiency, quality of service and cost-effectiveness of this government organization (p. 14).

4. Management Preferences

Top and middle level managers shall undergo theoretical and practical training, which should be aimed at changing their perceptions about managerial style and

developing managerial skills for empowering their employees. This would include education on when different styles (e.g. making a decision unilaterally or allowing subordinates to make the decision) are appropriate (Vroom and Yetton, 1973).

5. Formalization

Ministry should revise and update its current job descriptions. New rules and procedures should be codified. Managerial employees should follow the written instructions and procedures more closely.

6. Decentralization of non-core functions

As the first step, the Ministry should consider decentralizing some non-core functions. It might give more freedom to remote units (embassies, consulates, etc.) in such issues as budgeting (some revenues can be remained in these units to finance their activities) and human resource management.

In summary, increasing the Ministry's efficiency is impossible without a systematic approach. Contingency theory has been used in this thesis to analyze the Ministry's organizational design. The diagnosis not only indicated that the Ministry needs organizational re-alignment, but it also provided domains within which the Ministry could make improvements.

APPENDIX A. REPORT SUMMARY: SCENARIO 1 (SOVIET UKRAINIAN MINISTRY OF FOREIGN AFFAIRS)

A. INPUT DATA SUMMARY

The description below summarizes and interprets your answers to the questions about your organization and its situation. It states your answers concerning the organization's current configuration, complexity, formalization, and centralization. Your responses to the various questions on the contingencies of age, size, technology, environment, management style, cultural climate and strategy factors are also given. The write-up below summarizes the input data for the analysis. Note that "cf" stands for "certainty factor" and may range from -100 to +100.

- The Ministry has a functional configuration (cf 100).
- The Ministry has a small number of different jobs (cf 100).
- Of the employees at The Ministry 51 to 75 % have an advanced degree or many years of special training (cf 100).
- The Ministry has 3 to 5 vertical levels separating top management from the bottom level of the organization (cf 100).
- The mean number of vertical levels is 3 to 5 (cf 100).
- The Ministry has 3 to 5 separate geographic locations (cf 100).
- The Ministry's average distance of these separate units from the organization's headquarters is more than 3500 miles (cf 100).
- Less than 10 % of The Ministry's total workforce is located at these separate units (cf 100).

- Job descriptions are available for all employees, excluding senior management (cf 100).
- Where written job descriptions exist, the employees are supervised very closely to ensure compliance with standards set in the job description (cf 100).
- The employees are not allowed to deviate from the standards (cf 100).
- 61 to 80 % non-managerial employees are given written operating instructions or procedures for their job (cf 100).
- The written instructions or procedures given are followed to some extent (cf 100).
- Supervisors and middle managers are to no extent free from rules, procedures, and policies when they make decisions (cf 100).
- 61 to 80 % of all the rules and procedures that exist within the organization are in writing (cf 100).
- Top Management is not involved in gathering the information they will use in making decisions (cf 100).
- Top management participates in the interpretation of more than 80 % of the information input (cf 100).
- Top management directly controls 61 to 80 % of the decisions executed (cf 100).
- The typical middle manager has no discretion over establishing his or her budget (cf 100).
- The typical middle manager has no discretion over how his/her unit will be evaluated (cf 100).
- The typical middle manager has little discretion over the hiring and firing of personnel (cf 100).
- The typical middle manager has little discretion over personnel rewards - (i.e., salary increases and promotions) (cf 100).

- The typical middle manager has no discretion over purchasing equipment and supplies (cf 100).
- The typical middle manager has no discretion over establishing a new project or program (cf 100).
- The typical middle manager has no discretion over how work exceptions are to be handled (cf 100).
- The Ministry has 70 employees (cf 100).
- The Ministry's age is mature (cf 100).
- The Ministry's ownership status is public (cf 100).
- The Ministry has few different products (cf 100).
- The Ministry has few different markets (cf 100).
- The Ministry only operates in one country (cf 100).
- The Ministry has no different products in the foreign markets (cf 100).
- The Ministry's major activity is categorized as service (cf 100).
- The Ministry has a specialized customer-oriented service technology (cf 100).
- The Ministry has a routine technology (cf 100).
- The Ministry's technology is a little divisible (cf 100).
- The Ministry's technology dominance is average (cf 100).
- The Ministry has no advanced information system (cf 100).
- The Ministry's environment is simple (cf 100).
- The uncertainty of The Ministry's environment is low (cf 100).
- The equivocality of the organization's environment is low (cf 100).

- The Ministry's environment has a low hostility (cf 100).
- Top management prefers to make general decisions as well as detailed operating decisions (cf 100).
- Top management primarily prefers to make short-time decisions (cf 100).
- Top management has a preference for very detailed information when making decisions (cf 100).
- Top management has a preference for reactive actions (cf 100).
- Top management is risk averse (cf 100).
- Top management has a preference for high control (cf 100).
- The Ministry operates in an industry with a low capital requirement (cf 100).
- The Ministry has a low product innovation (cf 100).
- The Ministry has a low process innovation (cf 100).
- The Ministry has a medium concern for quality (cf 100).
- The Ministry's price level is medium relative to its competitors (cf 100).
- The level of trust is low (cf 100).
- The level of conflict is medium (cf 100).
- The employee morale is low (cf 100).
- Rewards are given in a inequitably fashion (cf 100).
- The resistance to change is high (cf 100).
- The leader credibility is medium (cf 100).
- The level of scapegoating is high (cf 100).

B. THE SIZE

The size of the organization - large, medium, or small - is based upon the number of employees, adjusted for their level of education or technical skills.

Based on the answers you provided, it is most likely that your organization's size is medium (cf 50).

Between 51 and 75 % of the people employed by The Ministry have a high level of education. Adjustments are made to this effect. The adjusted number of employees is lower than 500 but greater than 100 and The Ministry is categorized as medium. However, for this adjusted number this size does not have a major effect on the organizational structure.

C. THE CLIMATE

The organizational climate effect is the summary measure of people and behavior.

Based on the answers you provided, it is most likely that the organizational climate is a internal process climate (cf 89).

The internal process climate is a formalized and structured place to work. Procedures govern what people do. The leaders pride themselves on being good coordinators and organizers. Maintaining a smooth running organization is important. The long-term concerns are stability, predictability, and efficiency. Formal rules and policies hold the organization together.

When the organization has a low level of trust, it is likely that the organization has a internal process climate. Employees with a medium to low morale is frequently one

element of an internal process climate. Inequitable rewards in the organization drives the climate towards an internal process climate. High resistance to change is normally present in a internal process climate. An organization with a high level of scapegoating may have an internal process climate.

D. THE MANAGEMENT STYLE

The level of management's micro-involvement in decision making is the summary measure of management style. Leaders have a low preference for micro-involvement; managers have a high preference for micro-involvement.

Based on the answers you provided, it is most likely that your management profile has a high preference for micro-involvement (cf 96).

The management of The Ministry has a preference for making most of the decisions itself. This will lead toward a high preference for micro-involvement. Management has a short-time horizon when making decisions, which characterizes a high preference for micro-involvement. Since the management has a preference for being very involved in gathering and using detailed information when making decisions, a high preference for micro-involvement characterization is appropriate. The management of The Ministry has a preference for wait and see and then act. This will lead toward a high preference for micro-involvement because management has to react to crisis at a very detailed level. Management is risk averse. This is one of the characteristics of a manager with a high preference for micro-involvement. Management has a preference for using

control to coordinate activities, which leads toward a high preference for micro-involvement.

E. THE STRATEGY

The organization's strategy is categorized as one of either prospector, analyzer with innovation, analyzer without innovation, defender, or reactor. These categories follow Miles and Snow's typology. Based on your answers, the organization has been assigned to a strategy category. This is a statement of the current strategy; it is not an analysis of what is the best or preferred strategy for the organization.

- Based on the answers you provided, it is most likely that your organization's strategy is a defender strategy (cf 81).
- It could also be: an analyzer without innovation (cf 79).

An organization with a defender strategy is an organization that has a narrow product market domain. Top managers in this type of organization are expert in their organization's limited area of operation but do not tend to search outside their domains for new opportunities. As a result of this narrow focus, these organizations seldom need to make major adjustments in their technology, structure, or methods of operation. Instead, they devote primary attention to improving the efficiency of their existing operations.

The Ministry has few products. It needs to defend these products well in the marketplace. Viability depends on being successful with these limited activities. The Ministry has a routine technology. Consequently, new products for new customers are less likely to be possible. It needs to defend its position for the technology it has or copy well-

known products or markets. When the top management of The Ministry has a preference for a high level of micro-involvement, the strategy is likely to be defender.

An organization with an analyzer without innovation strategy is an organization whose goal is to move into new products or new markets only after their viability has been shown yet maintains an emphasis on its ongoing products. It has limited innovation related to the production process; generally an analyzer without innovation does not have product innovation.

The capital requirement of The Ministry is not high, which is consistent with an analyzer without innovation strategy. With a very routine technology, new products for new customers are not very likely, although the firm can copy a few products. Therefore, strategy is likely to be analyzer without innovation. With top management of The Ministry preferring a high level of micro-involvement, the strategy is likely to be analyzer without innovation.

F. THE CURRENT ORGANIZATIONAL CHARACTERISTICS

Based on your answers, the organization's complexity, formalization, and centralization have been calculated. This is the current organization. Later in this report, there will be recommendations for the organization.

- The current organizational complexity is medium (cf 100).
- The current horizontal differentiation is medium (cf 100).
- The current vertical differentiation is low (cf 100).
- The current spatial differentiation is medium (cf 100).

- The current centralization is high (cf 100).
- The current formalization is high (cf 100).

The current organization has been categorized with respect to formalization, centralization, and complexity. The categorization is based on the input you gave and does not take missing information into account.

G. SITUATION MISFITS

A situation misfit is an unbalanced situation among the contingency factors of management style, size, environment, technology, climate, and strategy.

There are no situation misfits (cf 100).

No situational misfits encountered.

H. ORGANIZATIONAL CONSULTANT RECOMMENDATIONS

Based on your answers about the organization, its situation, and the conclusions with the greatest certainty factor from the analyses above Organizational Consultant has derived recommendations for the organization's configuration, complexity, formalization, and centralization. There are also recommendations for coordination and control, the appropriate media richness for communications, and incentives. More detailed recommendations for possible changes in the current organization are also provided.

I. ORGANIZATIONAL CONFIGURATIONS

- The most likely configuration that best fits the situation has been estimated to be a functional configuration (cf 81).
- It is certainly not: a professional bureaucracy (cf -2).

- It is certainly not: a matrix (cf -42).
- It is certainly not: an adhocracy (cf -100).
- It is certainly not: a divisional (cf -100).

A functional organization is an organization with unit grouping by functional specialization (production, marketing, etc.).

For a medium size organization with only few products, the functional configuration is recommended. When the equivocality of The Ministry's environment is not high, the environmental complexity is low, and the environment is not highly uncertain, the configuration should be functional. A functional configuration is usually required when the strategy is defender. An organization with an internal process climate could have a functional configuration.

The Ministry should have a structure somewhat similar to a machine-bureaucracy. A professional bureaucracy is a less likely configuration when top management has a high preference for micro-involvement.

The matrix configuration is usually not a very efficient configuration when the technology is a routine technology.

The matrix configuration is usually not a very efficient configuration when the top management has a high desire for control.

When the technology is very routine, the configuration cannot be an ad hoc configuration because it will not be able to operate!

Because the technology is not divisible, the configuration cannot be divisional.

J. ORGANIZATIONAL CHARACTERISTICS

- The recommended degree of organizational complexity is low (cf 50).

The Ministry has a routine technology, which implies that the organizational complexity should be low. Top management of The Ministry has a preference for a high level of micro-involvement, which leads to lower organizational complexity.

- The recommended degree of horizontal differentiation is low (cf 50).
- The recommended degree of vertical differentiation is low (cf 75).
- The recommended degree of formalization is high (cf 72).

There should high formalization between the organizational units but less formalization within the units due to the high professionalization. Since The Ministry employs many professionals the formalization should not be as high as it would otherwise be. When the organization is in the service industry and it does have a routine technology, its formalization should be higher than if it had been in the manufacturing industry. The Ministry has a defender strategy, which generally requires a high formalization. A defender needs cost efficiency, and that can be obtained through formalization. Organizations with routine technology should have high formalization. High formalization is consistent with top management's preference for a high level of micro-involvement. An internal process climate in the organization requires a high level of formalization.

- The recommended degree of centralization is high (cf 59).
- There is evidence against it should be: low (cf -52).

The Ministry has a defender strategy, which generally leads to high centralization. A defender needs cost efficiency, and that can be obtained through centralized coordination. The Ministry is of medium size. Such organizations should have medium to high centralization. When there are only a few factors that affect the organization and these factors are well known, and their values are relatively fixed, top management has the capacity to gather, interpret, process information, and make decisions, which means that centralization should be high. High centralization is required if top management has a preference for a high level of micro-involvement. An internal process climate in the organization requires a medium to high level of centralization.

- The Ministry's span of control should be wide (cf 56).
- Since The Ministry has a routine technology, it should have a wide span of control.
- The Ministry should use media with low media richness (cf 85).
- The information media that The Ministry uses should provide a small amount of information (cf 91).
- Incentives should be based on procedures (cf 95).
- The Ministry should use planning as means for coordination and control (cf 88).

Since The Ministry is not small and has a routine technology, coordination and control should be obtained via rules and planning, and media with low richness and a small amount of information can be used. Incentives should be based on process. When the environment of The Ministry has low equivocally, low uncertainty, and low complexity, the information media need not be rich nor provide a large amount of information. Direct

supervision with some planning will be appropriate. Incentives can be procedure based and based on implementation of the rules of formalization. It is appropriate to see that the rules are followed and implemented.

Top management will make most decisions and oversee their implementation. Top management will require a lot of detailed information, which will be generated by the functional hierarchy.

K. ORGANIZATIONAL MISFITS

Organizational misfits compares the recommended organization with the current organization.

The following organizational misfits are present: (cf 100).

- Current and prescribed complexities do not match.

L. MORE DETAILED RECOMMENDATIONS

No detailed recommendations present (cf 100).

- Based on the present input Organizational Consultant was not able to make any detailed recommendations.

APPENDIX B. REPORT SUMMARY: SCENARIO 2 (NEW UKRAINIAN MINISTRY OF FOREIGN AFFAIRS)

A. INPUT DATA SUMMARY

The description below summarizes and interprets your answers to the questions about your organization and its situation. It states your answers concerning the organization's current configuration, complexity, formalization, and centralization. Your responses to the various questions on the contingencies of age, size, technology, environment, management style, cultural climate and strategy factors are also given. The write-up below summarizes the input data for the analysis.

- The Ministry has a functional configuration (cf 100).
- The Ministry has a small number of different jobs (cf 75).
- Of the employees at The Ministry 0 to 10 % have an advanced degree or many years of special training (cf 100).
- The Ministry has 3 to 5 vertical levels separating top management from the bottom level of the organization (cf 100).
- The mean number of vertical levels is 3 to 5 (cf 75).
- The Ministry has more than 30 separate geographic locations (cf 75).
- The Ministry's average distance of these separate units from the organization's headquarters is more than 3500 miles (cf 100).
- 26 to 60 % of The Ministry's total workforce is located at these separate units (cf 75).
- Job descriptions are available for operational employees, low and middle management (cf 65).

- Where written job descriptions exist, the employees are supervised loosely to ensure compliance with standards set in the job description (cf 75).
- The employees are allowed to deviate very little from the standards (cf 75).
- 0 to 20 % non-managerial employees are given written operating instructions or procedures for their job (cf 100).
- The written instructions or procedures given are followed a little (cf 100).
- Supervisors and middle managers are to a little extent free from rules, procedures, and policies when they make decisions (cf 75).
- 21 to 40 % of all the rules and procedures that exist within the organization are in writing (cf 65).
- Top Management is only a little involved in gathering the information they will use in making decisions (cf 75).
- Top management participates in the interpretation of more than 80 % of the information input (cf 100).
- Top management directly controls 41 to 60 % of the decisions executed (cf 100).
- The typical middle manager has no discretion over establishing his or her budget (cf 100).
- The typical middle manager has little discretion over how his/her unit will be evaluated (cf 75).
- The typical middle manager has little discretion over the hiring and firing of personnel (cf 75).
- The typical middle manager has little discretion over personnel rewards - (ie, salary increases and promotions) (cf 75).
- The typical middle manager has no discretion over purchasing equipment and supplies (cf 100).
- The typical middle manager has no discretion over establishing a new project or program (cf 75).

- The typical middle manager has no discretion over how work exceptions are to be handled (cf 75).
- The Ministry has 1100 employees (cf 100).
- The Ministry's age is young (cf 100).
- The Ministry's ownership status is public (cf 100).
- The Ministry has some different products (cf 75).
- The Ministry has few different markets (cf 65).
- The Ministry operates in many countries with a low-activity level (cf 100).
- The Ministry has few different products in the foreign markets (cf 75).
- The Ministry's major activity is categorized as service (cf 100).
- The Ministry has a specialized customer-oriented service technology (cf 100).
- The Ministry has a medium routine technology (cf 75).
- The Ministry's technology is somewhat divisible (cf 75).
- The Ministry's technology dominance is strong (cf 75).
- The Ministry has no advanced information system (cf 100).
- The Ministry's environment is complex (cf 90).
- The uncertainty of The Ministry's environment is high (cf 75).
- The equivocality of the organization's environment is high (cf 75).
- The Ministry's environment has a high hostility (cf 75).
- Top management prefers to make general decisions as well as detailed operating decisions (cf 75).
- Top management primarily prefers to make short-time decisions (cf 75).

- Top management has a preference for very detailed information when making decisions (cf 75).
- Top management has a preference for reactive actions (cf 75).
- Top management is risk averse (cf 100).
- Top management has a preference for high control (cf 75).
- The Ministry operates in an industry with a low capital requirement (cf 100).
- The Ministry has a low product innovation (cf 75).
- The Ministry has a low process innovation (cf 75).
- The Ministry has a high concern for quality (cf 100).
- The Ministry's price level is medium relative to its competitors (cf 75).
- The level of trust is low (cf 75).
- The level of conflict is medium (cf 75).
- The employee morale is low (cf 100).
- Rewards are given in an inequitably fashion (cf 100).
- The resistance to change is medium (cf 75).
- The leader credibility is medium (cf 75).
- The level of scapegoating is high (cf 100).

B. THE SIZE

The size of the organization - large, medium, or small - is based upon the number of employees, adjusted for their level of education or technical skills.

Based on the answers you provided, it is most likely that your organization's size is large (cf 50).

Less than 20% of the people employed by The Ministry have a high level of education. No adjustments for educational level are made. The adjusted number of employees is lower than 2,000 but greater than 1,000 and The Ministry is categorized as large. However, for this adjusted number this size does not have a major effect on the organizational structure.

C. THE CLIMATE

The organizational climate effect is the summary measure of people and behavior. Based on the answers you provided, it is most likely that the organizational climate is a rational goal climate (cf 83).

The rational goal is characterized as a results-oriented organization. The leaders are hard drivers, producers, and competitors. They are tough and demanding. The glue that holds the organization together is the emphasis on winning. The long-term concern is on competitive actions and achievement of measurable goals and targets. Success is defined in terms of market share and penetration. Competitive pricing and market leadership are important. The organizational style is hard-driving competitiveness.

Employees with a low morale is frequently one element of a rational goal climate. Inequitable rewards in the organization drives the climate towards a rational goal climate. An organization with a high level of scapegoating may have a rational goal climate. When

the organization has a low level of trust, it is likely that the organization has a rational goal climate. Medium to low resistance to change is normally present in a rational goal.

D. THE MANAGEMENT STYLE

The level of management's micro-involvement in decision making is the summary measure of management style. Leaders have a low preference for micro-involvement; managers have a high preference for micro-involvement.

Based on the answers you provided, it is most likely that your management profile has a high preference for micro-involvement (cf 91).

Management is risk averse. This is one of the characteristics of a manager with a high preference for micro-involvement. The management of The Ministry has a preference for making most of the decisions itself. This will lead toward a high preference for micro-involvement. Management has a short-time horizon when making decisions, which characterizes a high preference for micro-involvement. Since the management has a preference for being very involved in gathering and using detailed information when making decisions, a high preference for micro-involvement characterization is appropriate. The management of The Ministry has a preference for wait and see and then act. This will lead toward a high preference for micro-involvement because management has to react to crisis at a very detailed level. Management has a preference for using control to coordinate activities, which leads toward a high preference for micro-involvement.

E. THE STRATEGY

The organization's strategy is categorized as one of either prospector, analyzer with innovation, analyzer without innovation, defender, or reactor. These categories follow Miles and Snow's typology. Based on your answers, the organization has been assigned to a strategy category. This is a statement of the current strategy; it is not an analysis of what is the best or preferred strategy for the organization.

Based on the answers you provided, it is most likely that your organization's strategy is an analyzer without innovation strategy (cf 77).

An organization with an analyzer without innovation strategy is an organization whose goal is to move into new products or new markets only after their viability has been shown yet maintains an emphasis on its ongoing products. It has limited innovation related to the production process; generally an analyzer without innovation does not have product innovation.

The capital requirement of The Ministry is not high, which is consistent with an analyzer without innovation strategy. With a concern for high quality an analyzer without innovation strategy is a likely strategy for The Ministry. With top management of The Ministry preferring a high level of micro-involvement, the strategy is likely to be analyzer without innovation.

F. THE CURRENT ORGANIZATIONAL CHARACTERISTICS

Based on your answers, the organization's complexity, formalization, and centralization have been calculated. This is the current organization. Later in this report, there will be recommendations for the organization.

- The current organizational complexity is medium (cf 85).
- The current horizontal differentiation is low (cf 75).
- The current vertical differentiation is low (cf 75).
- The current spatial differentiation is high (cf 75).
- The current centralization is high (cf 85).
- The current formalization is medium (cf 79).

The current organization has been categorized with respect to formalization, centralization, and complexity. The categorization is based on the input you gave and does not take missing information into account.

G. SITUATION MISFITS

A situation misfit is an unbalanced situation among the contingency factors of management style, size, environment, technology, climate, and strategy.

The following misfits are present: (cf 100).

The Ministry has a low product innovation but does not have a certain environment. This situation calls for a review and suggests that the organization consider greater product innovation. Low product innovation means the same products are available for an extended period. In a certain environment with little change in customer

demands and preferences, there is little need for new products. But, with increasing uncertainty in customer demand, new competitor strategies, possible governmental actions, shifting customer tastes, etc., current products are likely to be mismatched with this changed environment. New products and innovation will likely be required to adapt and meet the emerging needs and opportunities of the new environment.

The Ministry has both an analyzer strategy and a management with a short time horizon. Conflict and confusion are likely results. An analyzer is searching for opportunities which may not be within the current activities of the organization. Frequently, investment and startup costs will be incurred which will decrease short term returns. Management should develop a longer term outlook for the organization.

The Ministry has both an analyzer strategy and few products. Generally, more products are required for an analyzer. A few products may be reasonable in the short run, but an analyzer should be in constant consideration of new possibilities. When a few, unchanging products become the norm, the analyzer should broaden its scope of new opportunities.

The Ministry has both an analyzer without innovation strategy and an environment with high equivocality. A high equivocality in the environment calls for a capability to vary products and services as the environment becomes clear. Without an innovative capability, it may be very difficult to adjust. Copying what others have done maybe possible, but it is not likely to be viable for the long run.

The Ministry has both an analyzer without innovation strategy and an uncertain environment. An uncertain environment calls for adaptability and change. Without

innovation, the organization is limited to copy what others have done. It is inherently a risky position, but it may appear to be conservative. The organization needs to develop some innovative capabilities to adjust and adapt to the uncertainties in the environment.

The Ministry has both an analyzer without innovation strategy and an environment with high or low complexity. A more innovative strategy is preferred. A highly complex environment involves a large number of variables which influence the organization. Without innovation, the organization is limited in its responses and its possible adaptations. A more innovative strategy is needed. In contrast, a low complexity environment has few variables to consider and may not provide enough potential for an analyzer to survive in the long run.

The Ministry has a low capital requirement but is a large organization. Small competitors may be a threat to some of The Ministry's markets. Low capital requirements are usually associated with low barriers to entry. Small competitors can enter and frequently, with more advanced technology and lower costs. Large organizations are frequently slow to adjust and adapt. The smaller competitor will have the advantage and thus, be a threat. One alternative is to break up the large organization into a number of smaller ones.

The Ministry is a large organization with a complex and dynamic environment. This may not fit with the management's preference for a high level of micro-involvement! With a complex and dynamic environment, there are a very large number of changing situations to which to adjust. Management cannot access all the situations, analyze what needs to be done and oversee the implementation. There is simply too much to do; there

is too much information to deal with. A high level of micro-involvement will usually lead to an information overload at the top and a delay in action when it is most needed. Despite a tendency for management to become even more involved in details, the situation requires less micro-involvement and alternative approaches, such as more decentralization.

The Ministry has a rational goal climate. This may not fit an environment that is highly equivocal! A rational goal climate focuses on control and has an external orientation. Low trust, high conflict, medium to low morale and low leader credibility will likely make it difficult to adapt and adjust to an equivocal environment where many important variables are not understood. A rational goal climate is better suited to a less equivocal environment where there may be some complexity and uncertainty as well. A highly equivocal environment requires more flexibility.

H. ORGANIZATIONAL CONSULTANT RECOMMENDATIONS

Based on your answers about the organization, its situation, and the conclusions with the greatest certainty factor from the analyses above Organizational Consultant has derived recommendations for the organization's configuration, complexity, formalization, and centralization. There are also recommendations for coordination and control, the appropriate media richness for communications, and incentives. More detailed recommendations for possible changes in the current organization are also provided.

I. ORGANIZATIONAL CONFIGURATIONS

- The most likely configuration that best fits the situation has been estimated to be a functional configuration (cf 67).

- It is certainly not: a professional bureaucracy (cf -18).
- It is certainly not: a machine bureaucracy (cf -65).

A functional organization is an organization with unit grouping by functional specialization (production, marketing, etc.).

For a large organization with only few products, the functional configuration is recommended. For an analyzer without innovation, a functional configuration is normally best. If the technology diversity is low (due to no economics of scale), then a divisional configuration may be appropriate.

Because of the low foreign product and service diversity and the low foreign involvement of The Ministry, the configuration of The Ministry should be either an international functional configuration or an international division configuration.

The international activities may be handled by an add-on international division.

A professional bureaucracy is a less likely configuration when top management has a high preference for micro-involvement.

When the organization has high hostility, it is unlikely to be a machine bureaucracy. A machine bureaucracy will prevent it from acting appropriately when unexpected events occur.

J. ORGANIZATIONAL CHARACTERISTICS

- The recommended degree of organizational complexity is low (cf 53).

Not much is known about the environment since both the environmental uncertainty and the environmental equivocality of The Ministry are high. In this situation,

the organizational complexity should be low. This allows the organization to adapt quickly. When the environmental hostility of The Ministry is high, organizational complexity should be low. Top management of The Ministry has a preference for a high level of micro-involvement, which leads to lower organizational complexity.

- The recommended degree of horizontal differentiation is low (cf 53).
- The recommended degree of vertical differentiation is low (cf 70).
- The recommended degree of formalization is high (cf 50).
- It, too, could be: medium (cf 40).

The Ministry has an analyzer without innovation strategy. Formalization should be medium to high. There should be high levels of standardization in current activities and high levels of flexibility in new undertakings. Large organizations should have high formalization. High formalization is consistent with top management's preference for a high level of micro-involvement.

The Ministry has an analyzer without innovation strategy. Formalization should be medium to high. There should be high levels of standardization in current activities and high levels of flexibility in new undertakings. The Ministry has a low capital requirement and a low product innovation, which leads to a medium degree of formalization. Organizations with medium-routine technology should have a medium formalization. A rational goal climate in the organization requires a medium level of formalization.

- The recommended degree of centralization is high (cf 50).
- There is evidence against it should be: low (cf -3).

The Ministry has an analyzer without innovation strategy. Centralization should be medium to high. There should be tight control over current activities and less control over new undertakings. When the environment is hostile, prompt actions by top management may be required and high centralization should be considered. High centralization is required if top management has a preference for a high level of micro-involvement. A rational goal climate in the organization requires a medium to high level of centralization.

- The Ministry's span of control should be moderate (cf 44).

Since The Ministry has some technology routineness, it should have a moderate span of control.

- The Ministry should use media with high media richness (cf 70).
- The information media that The Ministry uses should provide a large amount of information (cf 85).
- Incentives should be based on results (cf 91).
- The Ministry should use meetings as means for coordination and control (cf 84).

When the environment of The Ministry has high equivocality, high uncertainty, and high complexity, coordination and control should be obtained through integrators and group meetings. The richness of the media should be high with a large amount of information. Incentives must be results based. Top management needs an excellent information system to monitor the environment. When the organization has a rational goal climate, coordination should be obtained using planning and meetings. Incentives could be

based on results with a group orientation. An organization with a rational climate will likely have to process a large amount of information and will need to use information media with medium richness.

Top management will make most decisions and oversee their implementation. Top management will require a lot of detailed information, which will be generated by the functional hierarchy.

K. ORGANIZATIONAL MISFITS

Organizational misfits compares the recommended organization with the current organization.

- The following organizational misfits are present: (cf 100).
- Current and prescribed complexities do not match.
- Current and prescribed formalization do not match.

L. MORE DETAILED RECOMMENDATIONS

- There are a number of more detailed recommendations (cf 100).
- You may consider more written job descriptions.
- Managerial employees may be asked to follow written instructions and procedures more closely.
- You may consider supervising the employees more closely.
- You may consider having more written rules and procedures.

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